

CONTEMPORARY

# BANKING & FINANCE

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**CTDI™****CORPORATE TRAINING & DEVELOPMENT INSTITUTE****GURUKUL FOR BANKERS**SCO 91, (1<sup>st</sup> & 2<sup>nd</sup> Floor), Sector 47-D,  
Chandigarh-160047,

Mob: 9041086057, 9317723230

Website: [www.corporatetraininginstitute.com](http://www.corporatetraininginstitute.com)  
Email: [training@corporatetraininginstitute.com](mailto:training@corporatetraininginstitute.com)SCAN THE QR CODE TO JOIN US ON  
TELEGRAM**MONETARY POLICY STATEMENT****(Resolution of the MPC – August 8, 2024)**

The Monetary Policy Committee (MPC) met on 6<sup>th</sup> to 8<sup>th</sup> August 2024. This was the 50th meeting of the Monetary Policy Committee (MPC) since its inception in September 2016. In this MPC meeting, RBI decided to hold the key policy rate for the ninth consecutive time. The MPC had last changed the benchmark interest rate in February 2023.

➤ The recent policy review by the RBI highlights a strong commitment to controlling inflation, setting it apart from the more lenient approaches of major global central banks. This stance is not merely reactive; it is a strategic alignment with long-term financial stability, particularly given the significant impact of volatile food prices on India's CPI.

➤ The RBI prioritizes the objective of achieving an equilibrium between curbing inflationary pressures and nurturing a robust economic environment. The MPC's cautious stance suggests that any future rate changes will depend on a sustained reduction in inflation toward the target, supported by strong economic data.

➤ The decisions of MPC are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

**TARGETS:**

● **GDP OUTLOOK:** The real GDP growth for 2024-25 is projected at 7.2 per cent. Real GDP growth for Q1:2025-26 is projected at 7.2 per cent. The risks are evenly balanced.

● **INFLATION:** CPI inflation for 2024-25 is projected at 4.5 per cent. CPI inflation for Q1:2025-26 is projected at 4.4 per cent.

**MONETARY & LIQUIDITY AGGREGATES**

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee at its meeting on August 8, 2024 decided as following:

● **REPO RATE:** The policy Repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 6.50 per cent.

● **STANDING DEPOSIT FACILITY (SDF):** The standing deposit facility (SDF) rate also unchanged at 6.25 per cent.

● **MARGINAL STANDING FACILITY (MSF):** The MSF rate (an emergency funding window) with a spread of 25 bps above the policy rate retained at 6.75 per cent.

● **BANK RATE:** The MSF rate and the Bank Rate are calibrated to 25 bps above the repo rate. The Bank Rate thus retained at 6.75 per cent.

● **CASH RESERVE RATIO (CRR):** CRR of scheduled banks retained at 4.50 percent of their Net Demand and Time Liabilities (NDTL).

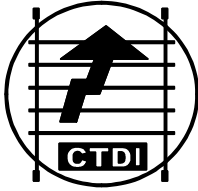
● **STATUTORY LIQUIDITY RATIO (SLR):** The SLR of scheduled commercial banks retained at 18 per cent of NDTL.

● **FIXED RATE REVERSE REPO (FRRR):** The FRRR rate has been kept as part of the RBI's toolkit and its operation will be at the discretion of the RBI.

**POSITIVE ATTITUDE**

A man, observing a butterfly struggling to emerge from its cocoon, decided to help by cutting it open. As a result, the butterfly emerged with a swollen body and underdeveloped wings, and it never flew. The struggle was essential for the butterfly to gain strength.

Challenges shape our abilities and prepare us for greater things.



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### EDITORIAL BOARD

**DIRECTOR:**

**Dr. G.S. Bhalla**

**ASSOCIATES:**

**Harvinder Singh Bedi**

**Harsimran Singh Bhalla**

**Ishwar Singh Negi**

**DESIGNED BY:**

**Ankita Sharma**



SCO 91, (1<sup>st</sup> & 2<sup>nd</sup> Floor), Sector 47-D, Near PNB, Chandigarh Pin - 160047.

MOB: 9041086057, 9317723230

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9316009205m@pub

## ASSESSMENT AND OUTLOOK

### GLOBAL OUTLOOK:

The global economic outlook remains strong, though growth is slowing. While inflation is decreasing in major economies, price inflation in services continues. International prices for food, energy, and metals have declined. Central banks are taking different approaches due to varying growth and inflation prospects, leading to financial market volatility. Recent global equity sell-offs have weakened the dollar, reduced sovereign bond yields, and driven gold prices to record highs.

### DOMESTIC ECONOMY:

- Domestic economic activity continues to maintain strong momentum. The improved monsoon boosted kharif sowing, with the total area sown being 2.9% higher than the previous year.
  - Industrial output expanded by 5.9% year-on-year in May 2024. Core industries grew by 4.0% in June, though this was a decrease from the 6.4% growth observed in May.
  - High-frequency indicators from June-July 2024 suggest growth in the services sector, a revival in private consumption, and signs of increasing private investment activity.
  - Merchandise exports, non-oil non-gold imports, and both services exports and imports expanded during April-June.
  - Indicators of investment activity, such as robust steel consumption, high capacity utilization, healthy bank and corporate balance sheets, and government focus on infrastructure, suggest a positive economic outlook. However, risks include geopolitical tensions, international commodity price volatility, and geoeconomic fragmentation.
  - Real GDP growth for 2024-25 is projected at 7.2%, with quarterly growth ranging from 7.1% to 7.3%. For Q1 2025-26, growth is also projected at 7.2%, with risks being balanced.
  - **Headline inflation** rose to 5.1% in June 2024, up from 4.8% in April-May 2024. The increase was primarily driven by higher food inflation. The fuel group remained in deflation due to significant LPG price cuts in August 2023 and March 2024.
  - **Core inflation** (excluding food and fuel) reached a new low of 3.1% in May-June 2024. Core services inflation also hit its lowest level in the current Consumer Price Index (CPI) series.
  - India's external sector remains resilient, with key indicators continuing to improve. Confidence remains high in meeting external financing requirements comfortably.
  - **India's Current Account Deficit (CAD)** moderated to 0.7% of GDP in 2023-24, down from 2.0% of GDP in 2022-23. This improvement was due to a lower trade deficit and strong receipts from services and remittances. CAD is expected to remain eminently manageable during the current financial year.
  - In Q1 2024-25, the merchandise trade deficit widened as imports grew faster than exports. Despite this, buoyant services exports and strong remittance receipts are expected to keep the CAD within a sustainable level.
  - Foreign portfolio investors turned net buyers in the domestic market from June 2024. Net inflows amounted to US\$ 9.7 billion during June-August (up to August 6) after witnessing outflows of US\$ 4.2 billion in April and May.
  - Foreign Direct Investment (FDI) flows increased in 2024-25, with gross FDI rising by over 20% during April-May 2024. Net FDI flows doubled during this period compared to the same period in the previous year.
  - External commercial borrowings moderated during April-June 2024-25. Non-resident deposits recorded higher net inflows during April-May compared to the previous year. India's foreign exchange reserves reached a historical high of US\$ 675 billion as of August 2, 2024.
- MPC's Growth and Inflation Outlook:**
- The Monetary Policy Committee (MPC) expects domestic growth to be supported by strong investment demand, steady urban consumption, and rising rural consumption. However, risks from volatile and elevated food prices remain high, which could adversely impact inflation expectations and potentially lead to spillovers into core inflation.
  - There are signs that core inflation may have bottomed out.

*(Cont'd on Page no. 4)*

**REITs & InvITs**

Infrastructure and real estate are two pivotal sectors for any developing economy. A robust infrastructure supports the overall growth of a nation by enhancing connectivity, fostering industrial development, and attracting both private and foreign investments. This, in turn, strengthens the capital base, fueling further growth in key sectors and ensuring sustained economic progress.

➤ Real estate remains a favored investment choice due to its potential for capital appreciation and steady income from rent or lease. Investment vehicles like **Real Estate Investment Trusts (REITs)** and **Infrastructure Investment Trusts (InvITs)** offer investors a way to invest in these sectors without directly owning physical assets. Both REITs and InvITs were introduced in India in 2014.

**Real Estate Investment Trusts (REITs):**

➤ Real Estate Investment Trusts (REITs) are investment vehicles that own and manage income-generating real estate assets such as office buildings, shopping malls, hotels, residential complexes, and warehouses. These trusts pool funds from investors, offering them an opportunity to invest in real estate without owning physical property. Instead, investors purchase shares in the REIT, which functions similarly to a mutual fund.

➤ REITs collect capital from multiple investors, with professional fund managers overseeing the assets. The core holdings of REITs consist of a diversified portfolio of real estate properties. A notable feature of REITs is their obligation to distribute a substantial portion of their income, typically the majority, as dividends to shareholders, making them attractive to investors looking for consistent income. Beyond dividends, investors can also benefit from the potential long-term capital appreciation of the REIT units they hold.

➤ Regulations mandate that REITs invest at least **80%** of their total assets in rental income-generating commercial properties, while the remaining **20%** can be allocated to cash, stocks, bonds, or commercial properties under construction.

➤ The major listed REITs companies in India are Brookfield India Real Estate Trust; Embassy REIT; and MINDSPACE BUSINESS REIT.

**Infrastructure Investment Trusts (InvITs):**

➤ InvITs are business trusts similar to Real Estate Investment Trusts (REITs), but they focus on infrastructure assets instead of real estate. InvITs invest in assets such as roads, highways, power plants, airports, and telecommunication towers. The revenue generated by InvITs comes from the fees paid by users of these infrastructure assets. These assets produce consistent cash flows, which are distributed to unit holders in the form of dividends. Investors in InvITs benefit from a steady income stream, while also having the potential for long-term capital appreciation through the value of the units they hold.

**Key difference between REIT and InvIT:**

➤ InvIT and REIT have very similar structures. Both of them are investment vehicles that pool money from multiple investors and have a sponsor or a trustee. While REITs invest in completed and under-construction real estate projects, InvITs invest in infrastructure projects such as highways, power plants, roads and warehouses, among others.

➤ REITs are required to invest at least 80% of their assets in completed and income-generating real estate properties. They are not allowed to invest more than 20% of their assets in under-construction commercial properties or shares and bonds. Meanwhile, InvITs have to invest at least 80% of their assets in completed and income-generating infrastructure projects.

➤ REITs typically invest in properties that generate stable income streams such as rental income. On the other hand, InvITs invest in assets that generate cash flows from usage fees, tolls, or tariffs.

➤ REITs typically hold ownership of the real estate properties they invest in, while in some cases they may lease these properties on a long-term basis. In contrast, InvITs invest in infrastructure projects that are either handed back to the relevant authorities upon completion or subject to a rebidding process at the conclusion of the contract period.

➤ REITs are governed by the SEBI (Real Estate Investment Trusts) Regulations, 2014. InvITs are governed by the SEBI (Infrastructure Investment Trusts) Regulations, 2014.

REITs provide a diversified portfolio of properties and hence are considered to be less risky than direct real estate investments. Meanwhile, InvITs invest in infrastructure projects which may be subject to various operational and regulatory risks. Therefore, they are considered riskier.

*(Cont'd on Page No 4)*

**COMPLIMENTS  
OUR SUCCESSFUL PARTICIPANTS**

**IDBI (SCALE C TO D)**

**JAN 2024**

NAME	MOBILE
1. GAJANAN TIPLE	7020241705
2. KAPIL GANESH	9739675979
3. VIKRANT SHINDE	9892230824
4. D SENTHIL KUMAR	9493742349
5. LALITNARAYAN	9826099493
6. AJINKYA PAWAR	9881240444
7. TABISH RAZA	9977454851
8. AMIT WAGH	8850873419
1. VISHWESHVAR	9769732313
2. KUMAR RANJEET	8879770593
3. ANKUR MATHUR	7508313184
4. MEENAKSHI GOUD	9937410736
5. SHRI KIRAN	9029027111
6. MANJU KUMARI	8825176739
7. VATSALA SEMANT	9031033354
8. GANESH RATIL	9552557437
9. SHAILESH KROY	8797000109
10. BHARTI	7087793313
11. MOHIT K VATTS	9876018108
12. SREEKANTH S	8608800777
13. SURESH B	9940333207
14. SURAJ	9769946591
15. JANARDAN	9574944478
16. MALAY KUMAR	9597030614
17. AJAY KUMAR	8791022207
18. PANKAJ KUMAR	8699002105
19. KARTHIK	9840787888
20. SANJEET KUMAR	9766901487
21. SANJIT KUMAR	9405565185
22. PRADEEP KUMAR	9010574422
23. SURAJ KAMBLE	7400184880
24. SRI SOUMYA	8280709235
25. ARIJIT DASGUPTA	9830355810
26. SATHYA G	9094437722
27. SHAILESH PATEL	9574376999
28. S. DESHMUKH	9096708431
29. DINKAR DEVKAR	9527527000
30. PANKAJ DUBEY	9828563797

**PNB (SCALE 5 TO 6) JAN 2024**

1. CHINMAY GOPAL	8227000070
2. HARISH	9600139440

**PNB (SCALE 4 TO 5) JAN 2024**

1. RAVI SHANKAR	9971622667
2. N. K. BANSAL	8053135151
3. ABHIRAM KUMAR	7087851697
4. SATISH KUMAR	9718694674
5. SATISH LATHAR	9466747145
6. VIVEK KUMAR	7054303153
7. MRINAL MOHANTI	9007829271

**PNB (SCALE 3 TO 4) JAN 2024**

1. ANKIT YADAV	9599884177
2. CH L V RAMANA	9849899366
3. KOMAL GUPTA	7405250342
4. RAJNISH KUMAR	9047542109
5. DALBIR KAUR	9599819219
6. SHASANK KUMAR	9415295255

*(Cont'd from Page No 2)***Resolution of the MPC – August 8, 2024**

- The MPC emphasizes the need to continue with a disinflationary stance until headline CPI inflation aligns with the target in a sustained manner.
- The MPC believes that enduring price stability lays a strong foundation for sustained high growth. Therefore, it considers it appropriate to maintain the disinflationary stance of withdrawing accommodation to ensure inflation progressively aligns with the target while supporting economic growth.

**STATEMENT ON DEVELOPMENTAL & REGULATORY POLICIES:****1) Public Repository of Digital Lending Apps:**

- Guidelines on Digital Lending addressing protection of customers interest, data privacy, concerns on interest rates and recovery practices, mis-selling, etc. were issued on September 02, 2022. However, media reports have highlighted continued presence of unscrupulous players in digital lending who falsely claim their association with RBI regulated entities.
- Accordingly, to aid the customers in verifying the claim of Digital Lending App's (DLAs) association with REs, RBI is creating a public repository of DLAs deployed by the REs which will be available on RBI's website
- The repository will be based on data submitted by the REs (without any intervention by RBI) directly to the repository and will get updated as and when the REs report the details, i.e., addition of new DLAs or deletion of any existing DLA.

**2) Frequency of Reporting of Credit Information to Credit Information Companies:**

- At present credit institutions (CIs) are required to report the credit information of their borrowers to credit information companies (CICs) at monthly or such shorter intervals as mutually agreed between the CI and CIC.
- With a view to provide a more up-to-date picture of a borrower's indebtedness, RBI has decided to increase the frequency of reporting of credit information to CICs from monthly intervals to fortnightly basis or at such shorter intervals as mutually agreed between the CI and CIC. The fortnightly reporting frequency would ensure that credit information reports provided by CICs reflect a more recent information.
- This will be beneficial to both borrowers and lenders (CIs). Borrowers will have the benefit of faster updation of information, especially when they have repaid the loans. Lenders will be able to make better risk assessment of borrowers and also reduce the risk of over-leveraging by borrowers.

**3) Enhancing Transaction Limits for Tax Payments through UPI:**

- UPI has become the most-preferred mode of payments, due to its seamless features. Currently, the transaction limit for UPI is capped at Rs.1 lakh. Based on the various use-cases, the Reserve Bank has periodically reviewed and enhanced the limits for a few categories like capital markets, IPO subscriptions, loan collections, insurance, medical and educational services etc.
- As direct and indirect tax payments are common, regular and high value, RBI has decided to enhance the limit for tax payments through UPI **from Rs.1 lakh to Rs.5 lakh** per transaction. The central bank believes that this move will encourage more taxpayers to adopt digital payment methods for settling their tax liabilities. With the increased limit, taxpayers can now make larger tax payments in a single transaction, reducing the need for multiple payments.

**4) Introduction of Delegated Payments through UPI:**

- The Unified Payments Interface (UPI) has a very large user base of 424 million individuals. There is, however, potential for further expansion of the user base.
- RBI has proposed to introduce "Delegated Payments" in UPI. "Delegated Payments" would allow an individual (primary user) to set a UPI transaction limit for another individual (secondary user) on the primary user's bank account.
- This product is expected to add to the reach and usage of digital payments across the country.

**5) Continuous Clearing of Cheques under Cheque Truncation System (CTS):**

- Cheque Truncation System (CTS) currently processes cheques with a clearing cycle of up to **two working days**.
- To improve the efficiency of cheque clearing and reduce settlement risk for participants, and to enhance customer experience, RBI has proposed to transition CTS from the current approach of batch processing to continuous clearing with 'on-realisation-settlement'.
- Cheques will be scanned, presented, and passed in a few hours and on a continuous basis during business hours. The clearing cycle will reduce from the present T+1 days to a few hours.

*(Cont'd from Page 3)***SEBI GUIDELINES ON REITs**

A REIT must be structured as a trust under the Indian Trusts Act, 1882. It should be registered with SEBI, and the trustee must be a SEBI-registered debenture trustee.

A REIT must have at least one sponsor with a net worth of not less than **Rs.100 cr** who must collectively hold at least **25%** of the total units of the REIT for **at least three years**.

**Investment Conditions:**

- At least **80%** of the value of the REIT's assets must be invested in completed and income-generating properties.
- Up to **20%** can be invested in under-construction properties, mortgage-backed securities, or shares of real estate companies.
- A REIT cannot invest in vacant land or agricultural land, except for forestry, farming, or plantations.

**Distribution Policy:** REITs must distribute at least **90%** of their net distributable cash flows to unit holders. Distributions must be made at least twice a year.

**Leverage:** The total consolidated borrowings and deferred payments should not exceed **49%** of the REIT's total assets.

- If the borrowings exceed **25%**, a credit rating must be obtained, and the approval of unit holders is required.

**Valuation:** The REIT must appoint a valuer to carry out a full valuation of its assets every six months. The NAV must be disclosed to investors within **15 days** of the valuation.

**Listing and Trading:** REIT units must be listed on a recognized S/E and traded like any other listed security. The minimum subscription amount for an initial offer is Rs.50,000 per unit holder.

**RBI GUIDELINES ON REITs:**

Foreign Portfolio Investors (FPIs), Non-Resident Indians (NRIs), and other foreign entities can invest in REITs within the prescribed limits under the Foreign Exchange Management Act (FEMA). Investments by FPIs in REITs are allowed under the automatic route, subject to sectoral caps and conditions.

**Borrowing:** REITs can raise funds through external commercial borrowings (ECBs) under the automatic route, as per the ECB framework.

**FRAUD RISK MANAGEMENT IN COMMERCIAL BANKS (INCLUDING RRBs) & AND AIFIs**

The Reserve Bank of India has issued these directions under the authority granted by Chapter III-A and Chapter III-B of the Reserve Bank of India Act, 1934, as well as Section 21 and Section 35-A of the Banking Regulation Act, 1949.

**●GOVERNANCE STRUCTURE:**

➤ **Board-Approved Fraud Risk Management Policy:** A policy must be approved by the Board outlining the roles and responsibilities of the Board, Board Committees, and Senior Management in managing fraud risk.

➤ **Compliance with Principles of Natural Justice:** The policy must include measures to ensure compliance with natural justice principles in a timely manner.

➤ **Issuance of Show Cause Notice (SCN):** A detailed SCN must be issued to individuals or entities (including promoters, whole-time, and executive directors) against whom fraud allegations are being examined. The SCN should provide complete details of the transactions, actions, or events that could lead to fraud declaration and reporting.

➤ **Response Time for SCN:** A minimum of **21 days** must be given to the individuals or entities served with the SCN to respond.

➤ **System for SCN and Responses:** Banks must have a system in place for issuing SCNs and reviewing responses before declaring any person or entity as fraudulent. A reasoned order must be provided to the individuals or entities, communicating the bank's decision on whether the account will be classified as fraud.

➤ **Review of Fraud Risk Management Policy:** The Fraud Risk Management Policy must be **reviewed by the Board at least once every three years**, or more frequently if required by the Board.

**●SPECIAL COMMITTEE OF THE BOARD FOR MONITORING AND FOLLOW-UP OF CASES OF FRAUDS (SCBMF):**

Banks must establish an SCBMF with at least three Board members, including one whole-time director and two independent/non-executive directors. The committee will be led by an independent/non-executive director.

➤ **Responsibilities of SCBMF:** Oversee the effectiveness of fraud risk management in the bank and review and monitor fraud cases, conduct root cause analysis, and recommend measures to strengthen internal controls and minimize frauds. The Board will decide the coverage and frequency of these reviews.

➤ **Role of Senior Management:** Responsible for implementing the fraud risk management policy approved by the Board. Regularly report incidents of fraud to the Board or Audit Committee of the Board (ACB).

➤ **Whistle Blower Mechanism:** Banks must establish a transparent mechanism to handle whistleblower complaints regarding possible fraud or suspicious activities, ensuring proper examination and conclusion under the Whistle Blower Policy.

➤ **Organisational Structure for Fraud Risk Management:** Banks should set up a suitable structure for fraud risk management within their overall risk management functions. A senior official, at least of General Manager rank or equivalent, should be in charge of monitoring and reporting frauds.

**●FRAMEWORK FOR EARLY WARNING SIGNALS (EWS) AND RED FLAGGING OF ACCOUNTS (RFA):**

➤ Banks must establish an EWS and RFA framework as part of their overall Fraud Risk Management Policy, approved by the Board.

➤ **Red Flagged Account (RFA):** RFA is identified when one or more EWS indicators suggest potential fraudulent activity, triggering deeper investigation and preventive measures.

➤ **Oversight by Risk Management Committee of the Board (RMCB):** The RMCB is responsible for overseeing the effectiveness of the EWS and RFA framework. The RMCB must periodically review the status of red flagged accounts, including EWS alerts, triggers, and the remedial actions taken by the bank.

➤ **Approval and Monitoring of EWS Indicators:** EWS indicators for monitoring credit facilities, loan accounts, and other banking transactions must be approved by the RMCB. The RMCB should set a Turnaround Time (TAT) for examining EWS alerts, preferably **within 30 days**.

➤ **Validation of EWS/RFA Framework:** The EWS/RFA framework should undergo validation as directed by the RMCB to ensure its integrity, robustness, and consistency of outcomes.

➤ **EWS/RFA Framework Requirements:** A robust EWS system must be integrated with Core Banking Solutions (CBS) or other operational systems. Remedial actions on EWS alerts/triggers should be initiated promptly. Regular reviews of credit sanction processes, monitoring systems, and internal controls are necessary.

➤ **Effective Use of Databases:** Utilize the Central Repository of Information on Large Credits (CRILC) and the Central Fraud Registry (CFR) effectively.

**●EWS FRAMEWORK FOR CREDIT FACILITIES/LOAN ACCOUNTS:**

The system should include both quantitative and qualitative indicators, such as transactional data, borrower financial performance, market intelligence, and borrower conduct.

➤ **Data Analytics and Market Intelligence (MI) Unit:** Banks must establish a dedicated unit for data analytics and market intelligence to detect and prevent potential fraud.

➤ **Red Flagging and Investigation:** EWS alerts/triggers should prompt an examination to determine if an account needs to be red flagged and investigated for potential fraud.

➤ **Reporting to RBI:** Accounts meeting the CRILC reporting threshold, once red flagged, must be reported to the Reserve Bank of India **within seven days**.

**●FRAMEWORK FOR NON-CREDIT TRANSACTIONS:**

Banks should continuously upgrade their EWS system by identifying and incorporating suitable indicators to monitor non-credit transactions and prevent fraud.

➤ **System Integrity:** The EWS system must be designed to maintain data integrity, secure customer information, and enable real-time monitoring of transactions to prevent fraud.

➤ **Vigilance:** Banks should monitor transactions, especially in non-KYC compliant and money mule accounts, to prevent unauthorized or fraudulent activities and money laundering.

➤ Banks shall put in place / upgrade their existing EWS system **within six months** from the date of issuance of these Directions.

**●CREDIT FACILITY / LOAN ACCOUNT CLASSIFIED AS RED-FLAGGED ACCOUNT AND REPORTING OF FRAUD:**

➤ Banks must use external or internal audits, as per their Board-approved policy, to investigate red-flagged credit/loan accounts. A policy must be established for engaging external auditors, covering due diligence, competency, and timelines for audit completion.

➤ **Audit and Loan Agreement Clauses:** Loan agreements must include clauses allowing audits when an account is red-flagged. If the audit is inconclusive or delayed due to borrower non-cooperation, banks must decide on the account's status (fraud or otherwise) based on available material and internal investigations.

- **Reporting and Classification:** The decision to classify an account as red-flagged is made by the individual bank, which must report the status on the Reserve Bank's CRILC platform **within seven days**.
- **Timeline for Fraud Classification:** The process of classifying an account as fraud or removing its red-flagged status should be completed **within 180 days**. Cases exceeding this period be reviewed by the SCBMF and reported to RBI.
- **Group Company Examination:** If one bank identifies an account as fraud, other group companies with common promoters or directors should also be examined for fraud.
- **Law Enforcement Involvement:** If Law Enforcement Agencies initiate investigations, the bank must immediately red-flag the account and follow the fraud classification process within the stipulated time.
- **Third-Party Service Providers:** Banks should hold third-party service providers accountable if their negligence or malpractice contributes to fraud.
- **Reporting to IBA:** Banks must report such third parties to the Indian Banks' Association after following principles of natural justice, and the IBA will circulate caution lists among banks.

**●STAFF ACCOUNTABILITY:**

Banks must examine staff accountability in all fraud cases promptly, following their internal policy. Public Sector Banks and All India Financial Institutions must follow Central Vigilance Commission guidelines.

- **ABBFF:** Fraud cases involving **Rs.3 crore or more** must be referred to the Advisory Board for Banking and Financial Frauds (ABBFF) to examine the role of all officials, including ex-officials and whole-time directors.

- **Senior Executives Accountability:** For cases involving very senior executives (e.g., MD & CEO, Executive Directors), the Audit Committee of the Board (ACB) must initiate accountability examinations and present findings to the Board. PSBs and AIFIs must also refer such cases to the ABBFF.

**●PENAL MEASURES:**

- Entities and persons classified as fraudulent by banks, along with associated entities/persons, are barred from raising funds or seeking additional credit from RBI-regulated financial entities for **five years** after full repayment or settlement of the defrauded amount. After the five-year cooling period, banks have discretion to decide whether to provide credit facilities to these entities or persons.

**●TREATMENT OF ACCOUNTS UNDER RESOLUTION:**

- After an entity classified as fraud undergoes resolution under IBC or RBI's resolution framework, the bank must assess whether to maintain or remove the fraud classification following the implementation of the resolution plan.

- **Ongoing Criminal Actions:** The assessment of fraud classification does not affect the continuation of criminal proceedings against the former promoters, directors, or responsible persons of the entity.

- **Exemption from Penal Measures Post-Resolution:** Entities or business enterprises will not be subject to penal measures after the resolution plan is implemented under IBC or RBI's framework.

- **Penal Measures for Former Management:** Penal measures will still apply to the former promoters, directors, or responsible persons who were in charge of managing the entity or business enterprise.

**●REPORTING OF INCIDENTS OF FRAUD TO RBI:**

To ensure uniformity and consistency while reporting incidents of fraud to RBI through Fraud Monitoring Returns (FMRs) using online portal, banks shall choose the most appropriate category from any one of the following:

- a) Misappropriation of funds and criminal breach of trust;

- b) Fraudulent encashment through forged instruments.
- c) Manipulation of books of accounts or through fictitious accounts, and conversion of property;
- d) Cheating by concealment of facts with the intention to deceive any person and cheating by impersonation;
- e) Forgery with the intention to commit fraud by making any false documents/electronic records;
- f) Wilful falsification, destruction, alteration, mutilations of any book, electronic record, paper, writing, valuable security or account with intent to defraud;
- g) Fraudulent credit facilities extended for illegal gratification;
- h) Cash shortages on account of frauds;
- i) Fraudulent transactions involving foreign exchange;
- j) Fraudulent electronic banking / digital payment related transactions committed on banks; and
- k) Other type of fraudulent activity not covered in the above.

**●REPORTING OF FRAUDS TO LAW ENFORCEMENT**

**AGENCIES (LEAs):**

Banks shall immediately report the incidents of fraud to LEAs, subject to applicable laws, as indicated below:

CATEGORY OF BANK	AMOUNT INVOLVED	COMPLAINT SHOULD BE LODGED TO	REMARKS
Private Sector / Foreign Banks	Below Rs.1 crore	State / Union Territory (UT) Police	
	Rs.1 crore and above	In addition to State / UT Police, Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, Govt. of India	Details of fraud are to be reported to SFIO in Fraud Monitoring Return (FMR) format.
Public Sector Banks / Regional Rural Banks	(a) Below Rs.6 crore	State / UT Police	
	(b) Rs.6 crore and above	Central Bureau of Investigation (CBI)	

Banks shall establish suitable nodal point(s) / designate officer(s) for reporting incidents of fraud to LEAs and for proper coordination to meet the requirements of the LEAs.

**●CENTRAL FRAUD REGISTRY (CFR):**

- **Use of CFR for Risk Management:** Banks must ensure that information in the Central Fraud Registry (CFR) is utilized effectively for managing credit and fraud risks.

- **Reporting Payment System Related Fraud:** Banks must report disputed, suspected, or attempted fraudulent transactions related to payment systems to the Central Payments Fraud Information Registry (CPFIR). If these transactions are later confirmed as frauds, they must also be reported via FMR for inclusion in the CFR.

**●REPORTING FRAUD TO RBI:**

- **Individual Fraud Cases:** Banks must submit Fraud Monitoring Reports (FMR) for individual fraud cases within **14 days** from the date of classification of the incident / account as fraud, regardless of the amount involved.

- **Overseas Branches:** Fraud incidents at overseas branches of Indian banks must be reported to local law enforcement authorities in line with host country regulations.

- **Group Entities:** Fraud in group entities must be reported to RBI if those entities are not regulated by any financial sector authority. For overseas banking group entities, the parent bank in India must report frauds to RBI.

- **Withdrawal of FMR:** Banks can withdraw FMR or remove a perpetrator's name under exceptional circumstances, with due justification and approval of **at least a whole-time director-level official**.

**●CLOSURE OF FRAUD CASES REPORTED TO RBI:**

Banks should use the 'Closure Module' to close fraud cases when the case pending with LEAs or the court is resolved or when Staff accountability has been examined.

➤ **Closure of Fraud Cases Up to Rs.1 Crore:** Banks can close fraud cases involving amounts up to Rs.1 crore for statistical/reporting purposes if:

a) The investigation or charge-sheet by LEAs has been pending for **more than three years** from the First Information Report (FIR) registration, or

b) The charge-sheet is filed but the court trial has not commenced or has been **pending for more than three years** from the FIR date.

**●CHEQUE RELATED FRAUDS REPORTING:**

➤ **Forged Instruments:** The paying banker must report frauds involving forged instruments, including fake/forged truncated instruments, to LEAs and RBI/NABARD. The presenting bank should provide the underlying instrument to the paying bank upon request.

➤ **Genuine Instruments Paid to Wrong Person:** If a genuine instrument is presented but payment is made to the wrong person, and the instrument is later found to be forged, the presenting bank that incurred a loss should report the fraud to RBI and inform LEAs for investigation.

**●LEGAL AUDIT OF TITLE DOCUMENTS:**

➤ **Large Value Loans:** Title deeds and related documents for loans of **Rs.5 cr and above** must undergo periodic legal audits until the loan is fully repaid, as per the Board-approved policy.

➤ **Smaller Banks:** For Small Finance Banks, LAB'S, and RRB's, the threshold for legal audit is **Rs.1 crore**.

➤ **Handling Fraud Accounts Sold to Other Lenders/ARCs:** Banks must complete fraud investigations before transferring accounts to other lenders or Asset Reconstruction Companies (ARCs). If fraud is confirmed, it must be reported to RBI/NABARD before selling the accounts.

**●ROLE OF AUDITORS:**

➤ **Reporting Suspicious Transactions:** Auditors must immediately report any signs of fraudulent transactions to senior management and, if necessary, to the Audit Committee of ACB.

➤ **Internal Audit Coverage:** Internal audits must include controls and processes related to fraud prevention, detection, classification, monitoring, reporting, and closure.

**●Reporting Dates for Fraud:**

➤ **Date of Occurrence:** When the misappropriation started or the event occurred.

➤ **Date of Detection:** When the fraud was discovered, not the date of approval by bank authorities.

➤ **Date of Classification:** When the fraud was officially classified and approved by the competent authority.

**●Reporting Theft, Burglary, Dacoity, and Robbery:**

➤ **Immediate Reporting:** Banks must report these incidents to the Fraud Monitoring Group (FMG) at RBI immediately but **not later than seven days of occurrence**.

➤ **Quarterly Returns:** Banks must submit a quarterly Return on these incidents to RBI through the online portal within 15 days after the end of each quarter.

**GOVT ROLLS BACK LTCG TAX**

The Central Govt. has proposed an amendment to long-term capital gains (LTCG) taxes for property owners. Those who bought properties before July 23, 2024, can choose between two tax options: the new regime with a 12.5% tax rate without indexation benefits or the old regime with a 20% tax rate with indexation benefits. For properties purchased on or after July 23, 2024, the new regime will apply by default. This provides flexibility and relief to property owners.

**TREATMENT OF WILFUL DEFAULTERS AND LARGE DEFAULTERS**

With the primary objective to provide for a non-discriminatory and transparent procedure, for classifying a borrower as a Wilful defaulter, and also to put in place a system to disseminate credit information about wilful defaulters, the Reserve Bank of India has issued master directions on July 30<sup>th</sup> 2024. These directions shall come into force after 90 days from placing it on the website of the Reserve Bank.

**Applicability:** All India Financial Institution (AIFI), all commercial banks, All Scheduled Primary (Urban) Co-operative Banks, All Non - Scheduled Primary (Urban) Co-op Banks falling under tier 3 and 4; RRBs, and LABs.

**A) 'WILFUL DEFAULT' (WD):**

(i) **By a Borrower:** When the borrower defaults in meeting payment/ repayment obligations on any one or more of the following:

➤ The borrower has the capacity to honour the said obligations;

➤ The borrower has diverted the funds availed under the credit facility from lender;

➤ The borrower has siphoned off the funds availed under the credit facility from lender;

➤ The borrower has disposed of immovable or movable assets provided for the purpose of securing the credit facility without the approval of the lender;

➤ The borrower / promoter has failed in its commitment to the lender to infuse equity despite having the ability to infuse.

(ii) **By a Guarantor:** If the guarantor does not honour the guarantee when invoked by the lender, despite having sufficient means to make payment of the dues or has disposed of immovable or movable assets provided for the purpose of securing the credit facility, without the approval of the lender or has failed in commitment to the lender to infuse equity despite having the ability to infuse the equity.

**B) 'WILFUL DEFAULTER' (WD) means:**

a) A borrower or a guarantor who has committed wilful default and the outstanding amount is **Rs.25 lakh and above**; and

b) Where the borrower or a guarantor committing the wilful default is a company, its promoters and the director(s).

**C) 'DIVERSION OF FUNDS':**

Utilisation of short-term working capital funds for long-term purposes not in conformity with the terms of sanction;

a) Deploying funds availed using credit facility for the creation of assets other than those for which the credit was sanctioned;

b) Transferring funds availed using credit facility to the subsidiaries/group Co's or other entities, by whatever modality, without approval of the lender/ all the lenders in the consortium;

c) Routing of funds through any lender other than the lender or members of consortium without prior written permission of the lender or all the lenders of consortium;

d) Investing funds availed using credit facility in other companies/entities by way of acquiring equities/debt instruments without approval of lender/ lenders of consortium;

e) Shortfall in the deployment of funds vis-à-vis the amounts disbursed/ drawn under the credit facility and the difference not being accounted for.

**D) 'SIPHONING OF FUNDS'** shall be construed to have occurred if any funds availed using credit facility from lenders are utilised for purposes unrelated to the operations of the borrower.

**E) 'LARGE DEFAULTER' (LD)** means a defaulter with an outstanding amount of Rs.1 crore and above, and

(a) where suit has been filed; or

(b) whose account has been classified as doubtful or loss.

**F) 'IDENTIFICATION COMMITTEE':**

**a) In case of commercial banks** (other than foreign banks and RRBs) and AIFs, a Whole-Time Director (WTD) other than the MD & CEO / CEO or equivalent official as chairperson and two senior officials as members, not more than two ranks below the chairperson of the committee.

**b) In cases where there is only one Whole-Time Director other than the MD & CEO/ CEO or equivalent official, such Whole-Time Director may be part of the review committee if the post of MD & CEO/ CEO or equivalent official is vacant. In such cases an official one rank below the WTD may chair the identification committee, with two senior officials as members, not more than one rank below the chairperson of the committee.**

**c) Provided that in respect of credit facilities below a suitable threshold, commercial banks** (excluding Foreign Banks, SFBs, LABs and RRBs) may, as per their board-approved policy, set up the Identification Committee, with an officer just below the rank of the WTD as chairperson and two senior officials as members, not more than two ranks below the chairperson of the committee.

**Commercial banks (excluding Foreign Banks, SFBs, LABs and RRBs) may form multiple identification committees under this clause.**

**d) In case of Foreign Banks**, an officer not more than one rank below the Country Head/ CEO as chairperson and two senior officials, not more than two ranks below the chairperson of the committee, as members.

**e) In case of UCBs and NBFCs**, an officer not more than one rank below the MD/ CEO as chairperson and two senior officials, not more than two ranks below the chairperson of the committee, as members.

**f) In case of RRBs**, an officer not more than one rank below the chairman of the RRB as chairperson and two senior officials, not more than two ranks below the chairperson of the committee, as members.

**G) 'REVIEW COMMITTEE':** Committee shall comprise of:

**(i) In case of commercial banks** (other than foreign banks and RRBs) and AIFs, the Whole-Time Director who is the MD & CEO/ CEO or equivalent official of the lender as chairperson and two independent directors or non-executive directors or equivalent officials as members.

Where the post of MD & CEO/ CEO or equivalent official is vacant, the Review Committee shall be constituted with a Whole-Time Director in place of MD & CEO/ CEO or equivalent official. In such cases, Review Committee shall be chaired by independent directors or non-executive directors or equivalent officials. Provided that in respect of credit facilities below a threshold, **commercial banks** (excluding Foreign Banks, Small Finance Banks, LABs and RRBs) may, as per their board-approved policy constitute a Review Committee with an officer of the rank of Whole-Time Director or equivalent official as the chairperson and two senior officials as members, not more than two ranks below the chairperson of the committee.

**(ii) In case of Foreign Banks**, the Country Head/ CEO as chairperson and two senior officials, not more than one rank below the chairperson of the committee, as members.

**(iii) In case of UCBs**, the MD/ CEO as the chairperson, and two professional directors as members.

**(iv) In case of NBFCs**, the MD/ CEO as chairperson with two independent directors or non-executive directors or equivalent officials serving as members.

**(v) In case of RRBs**, the chairman of the RRB shall be the chairperson of the committee and two directors nominated of the Regional Rural Banks Act, 1976 shall be the members.

**The Review Committee shall not be comprised of members who are part of the Identification Committee.**

**MECHANISM FOR IDENTIFICATION AND CLASSIFICATION:**

➤ If wilful default is suspected, the Identification Committee issues a show-cause notice to those responsible, requiring a response within **21 days**.

➤ The involved parties are informed and given **15 days** to make a written representation. A personal hearing opportunity is provided, but if not availed, a decision is made based on the available material. The Review Committee issues a reasoned order, which is communicated to the wilful defaulter. The process is internal, and cannot be represented by a lawyer.

➤ Non-whole-time directors, including independent/nominee directors, will not be classified as WD's unless it is conclusively proven that they consented to or were complicit in the WD; and they were aware of the WD and did not record their objections during board or committee meetings.

➤ If WD is observed in the initial screening, lenders must classify the borrower as a wilful defaulter within six months of the account being classified as NRA.

**SPECIFIC MEASURES AGAINST WILFUL DEFAULTERS:**

**a) Lenders can initiate criminal proceedings against WD's** if warranted by the case's facts. Removing a defaulter's name from the List of Wilful Defaulters (LWD) does not affect ongoing criminal proceedings.

**b) Lenders must create a non-discriminatory, board-approved policy** outlining criteria for publishing photographs of declared WD's.

**c) Wilful defaulters or associated entities will not receive additional credit facilities for **one year**** after removal from the LWD.

**d) No credit facility for new ventures to wilful defaulters or associated entities for **five years**** after removal from the LWD.

**e) Wilful defaulters or associated entities are ineligible for credit restructuring; eligibility resumes after removal from the LWD.**

**f) If existing promoters are replaced and the company is delinked from them, lenders may consider restructuring based on viability, while criminal proceedings continue against former promoters/management.**

**g) Lenders must initiate legal action for foreclosure or recovery of dues against borrowers/guarantors whenever necessary.**

**ROLE OF INTERNAL AUDIT:** Lenders must instruct their internal auditors to specifically ensure compliance with the procedures. The review should focus on identifying the **root causes** of wilful default and addressing any deficiencies in the classification process used by the lender.

**LIABILITY OF A GUARANTOR:** Under Section 128 of the Indian Contract Act, 1872, the guarantor's liability is equal to that of the principal debtor unless the contract states otherwise. If the principal debtor defaults, the lender can proceed against the guarantor without first exhausting remedies against the debtor. Once a lender makes a claim on the guarantor due to the debtor's default, the guarantor's liability is immediate.

➤ If the guarantor refuses to comply with the lender's demand, they may be classified as a wilful defaulter.

➤ When dealing with a WD within a Group, lenders should assess the individual Co's repayment record. If Group Co's fail to honor guarantees for defaulting units, they may also be classified as wilful defaulters.

**REPORTING OF WD's & LARGE DEFAULTERS:**

➤ Monthly information to all credit information companies (CICs) on: **a) Suit-filed accounts of large defaulters; b) Non-suit filed accounts classified as doubtful or loss.**

➤ The **Rs.1 crore** threshold includes unapplied interest. For suit-filed accounts, the threshold relates to the amount for which suits have been filed. CICs must provide credit institutions access to the list of non-suit filed accounts of large defaulters and for display on their website. *(To continue in the next issue)*



## POLICY GUIDELINES

### ● **INTEREST EQUALIZATION SCHEME (IES) ON PRE AND POST SHIPMENT RUPEE EXPORT CREDIT:**

Government of India, vide Trade Notice dated July 10, 2024 has allowed for an extension of the Interest Equalization Scheme for Pre and Post Shipment Rupee Export Credit ('Scheme') up to August 31, 2024. The extension takes effect from July 1, 2024 and ends on August 31, 2024.

➤ Further, Government has advised the following modifications to the scheme:

**a) Eligibility of borrowers:** With effect from July 1, 2024, only MSME Manufacturer exporters would be eligible under the Scheme. Hence, the Scheme benefits will not be available to non-MSME exporters, and such claims are not to be entertained beyond June 30, 2024.

**b) Cap on subvention amount:** The interest equalization will be capped at **Rs.1.66 Crore** per Importer-Exporter Code (IEC) for the aforesaid extended period of the scheme.

➤ Other provisions of the extant instructions issued by the Bank on the captioned Scheme shall remain unchanged.

### ● **MODIFIED INTEREST SUBVENTION SCHEME FOR SHORT TERM LOANS FOR AGRICULTURE AND ALLIED ACTIVITIES AVAILED THROUGH KCC:**

➤ Government of India has approved the continuation of the Modified Interest Subvention Scheme (MISS) for the financial year 2024-25 with the following stipulations:

**(i)** In order to provide short term crop loans and short term loans for allied activities including animal husbandry, dairy, fisheries, bee keeping etc. upto an overall limit of **Rs.3 lakh** to farmers through KCC at concessional interest rate during the year 2024-25, it has been decided to provide interest subvention to lending institutions viz. Public Sector Banks (PSBs) and Private Sector Banks (in respect of loans given by their rural and semi-urban branches only), Small Finance Banks (SFBs) and computerized Primary Agriculture Cooperative Societies (PACS) ceded with Scheduled Commercial Banks (SCBs), on use of their own resources. This interest subvention will be calculated on the loan amount from the date of disbursement/drawal up to the date of actual repayment of the loan by the farmer or up to the due date of the loan fixed by the banks, whichever is earlier, subject to a maximum period of one year. The applicable lending rate to farmers and the rate of interest subvention will be as follows:

<b>a) Financial Year</b>	<b>: 2024-25</b>
<b>b) Lending rate to farmers</b>	<b>: 7%</b>
<b>c) Rate of Interest Subvention</b>	<b>: 1.50%</b>

**to Lending Institutions**

**(ii)** An additional interest subvention of **3% per annum** will be provided to such of those farmers repaying in time, i.e., from the date of disbursement of the loan/s upto the actual date of repayment or upto the due date fixed by the banks for repayment of such loan/s, whichever is earlier, subject to a maximum period of **one year** from the date of disbursement. This also implies that the farmers repaying promptly as above would get short term crop loans and/or short term loans for allied activities including animal husbandry, dairy, fisheries, bee keeping etc. **@ 4% per annum** during the financial year 2024-25. This benefit would not accrue to those farmers who repay their agri loans after one year of availing such loans.

**(iii)** Interest subvention and prompt repayment incentive benefits on short term crop loans and short term loans for allied activities will be available on an overall limit of **Rs.3 lakh** per annum subject to a maximum sub-limit of **Rs.2 lakh** per farmer in respect of those farmers involved only in activities related to animal husbandry, dairy, fisheries, bee keeping etc. The limit for crop loan component will take priority for interest subvention and prompt repayment incentive benefits and the residual amount will be considered

towards allied activities including animal husbandry, dairy, fisheries, bee keeping etc. subject to the cap as above.

**(iv)** In order to discourage distress sale by farmers and to encourage them to store their produce in warehouses, the benefit of interest subvention under KCC will be available to small and marginal farmers for a further period of **upto six months** post the harvest of the crop against negotiable warehouse receipts on the produce stored in warehouses accredited with Warehousing Development Regulatory Authority (WDRA), at the same rate as applicable to the crop loan.

**(v)** To provide relief to farmers affected by natural calamities, the applicable rate of interest subvention for that year will be made available to banks for the first year on the restructured loan amount. Such restructured loans will attract normal rate of interest from the second year onwards.

**(vi)** However, to provide relief to farmers affected due to severe natural calamities, the applicable rate of interest subvention for that year will be made available to banks for first three years/entire period (subject to a maximum of five years) on the restructured loan amount. Further, in all such cases, the benefit of prompt repayment incentive **@3% per annum** shall also be provided to the affected farmers. The grant of such benefit in cases of severe natural calamities shall, however, be decided by a High Level Committee (HLC) based on the recommendations of the Inter-Ministerial Central Team (IMCT) and Sub Committee of National Executive Committee (SC-NEC).

**(vii)** To ensure hassle-free benefits to farmers under the MISS, Aadhar linkage would continue to be mandatory for availing the above-mentioned short-term loans in 2024-25.

➤ Banks advised to capture the requisite category wise granular data of individual farmer beneficiaries under the scheme and report the same on Kisan Rin Portal (KRP) to settle the audited MISS claims for the year 2024-25.

➤ The claims in respect of computerized PACS ceded with SCBs may be uploaded separately by the respective banks, with the certification that interest subvention/prompt repayment incentive is being claimed on loans for which no refinance has been availed from NABARD, duly certified by the banks' Statutory Auditors, through KRP module.

➤ Banks advised to upload the claims/additional claims duly certified by their Statutory Auditors as true and correct, on KRP module for FY 2024-25 latest by June 30, 2025.

### ● **REVIEW OF RISK WEIGHTS FOR HOUSING FINANCE COMPANIES (HFCs):**

**On a review**, the Reserve Bank of India has revised the risk weight guidelines for undisbursed home loans, offering relief to Housing Finance Companies (HFCs) vide circular dated August 12, 2024.

**(i) Risk weighted assets for undisbursed amount of housing loans/other loans:** In order to address a potential anomaly in computation of risk weighted assets for undisbursed amount of housing loans/other loans vis-à-vis that for an equivalent disbursed amount of similar exposures, RBI has decided that the risk weighted assets computed for undisbursed amount of housing loans/other loans shall be capped at the risk weighted asset computed on a notional basis for equivalent amount of disbursed loan.

**(ii) Risk weight for Commercial Real Estate - Residential Building:** With reference to the risk weight of fund-based and non-fund based exposures to 'Commercial Real Estate-Residential Building', which are classified as standard, shall be 75 per cent. For exposures under this category, which are not classified as standard, the risk weight shall be as per the category 'Other Assets (Others)' which presently is at 100 per cent.

The revised guidelines, effective immediately, are expected to streamline risk management practices across the housing finance sector, promoting a more efficient allocation of capital. HFCs will

now be able to allocate resources more effectively, boosting their ability to finance housing projects and meet the growing demand for home loans.

### **●WITHDRAWAL OF Rs.2000 DENOMINATION BANKNOTES:**

The Reserve Bank of India had announced the withdrawal of Rs.2000 denomination banknotes from circulation vide Press Release dated May 19, 2023. RBI has published the status of withdrawal of Rs.2000 banknotes on August 01, 2024. The facility for deposit and / or exchange of the Rs.2000 banknotes was available at all bank branches in the country upto October 07, 2023.

➤ The facility for exchange of the Rs.2000 banknotes is available at the 19 Issue Offices of the Reserve Bank (RBI Issue Offices) since May 19, 2023. From October 09, 2023, RBI Issue Offices are also accepting Rs.2000 banknotes from individuals / entities for deposit into their bank accounts. Further, members of the public are sending Rs.2000 banknotes through India Post from any post office within the country, to any of the RBI Issue Offices for credit to their bank accounts.

➤ The total value of Rs.2000 banknotes in circulation, which was Rs.3.56 lakh crore at the close of business on May 19, 2023, when the withdrawal of Rs.2000 banknotes was announced, has declined to Rs.7261 crore at the close of business on August 30, 2024. Thus, 97.96% of the Rs.2000 banknotes in circulation as on May 19, 2023, has since been returned.

➤ The Rs.2000 banknotes continue to be legal tender.

### **●REGULATIONS FOR HFCs TO ALIGN THEM MORE CLOSELY WITH NBFCs:**

➤ RBI has introduced new guidelines aimed at tightening regulations for Housing Finance Companies (HFCs) to align them more closely with Non-Banking Financial Companies (NBFCs). These revisions aim to harmonize regulations between HFCs and NBFCs, ensuring more robust governance, liquidity management, and protection for depositors in the housing finance sector. These changes are effective from January 2025.

#### **KEY CHANGES INCLUDE:**

➤ **Reduction in Deposit Limits:** HFCs can now hold public deposits only up to 1.5 times their Net Owned Funds (NoF), reduced from the previous limit of 3 times. Any excess deposits must be allowed to mature, and HFCs exceeding this limit cannot accept new or renew existing deposits until compliance is achieved.

➤ **Increased Liquidity Requirements:** By January 2025, HFCs must hold 14% of their public deposits in liquid assets, which will rise to 15% by July 2025. This is an increase from the current requirement of 13%.

➤ **Changes in Deposit Tenure:** The maximum tenure for public deposits has been shortened to 60 months (from 120 months). Existing deposits with maturities over 60 months can be repaid according to their original terms.

➤ **Asset Cover and Credit Ratings:** HFCs must maintain full asset cover for their public deposits at all times, and it is mandatory for HFCs to obtain a minimum investment-grade credit rating annually. If the rating falls below the required level, the company cannot accept or renew deposits.

➤ **Participation in Financial Markets:** HFCs can now hedge risks by participating in currency futures and credit default swaps (CDS). Non-deposit-taking HFCs with assets over ₹1,000 crore can also participate in interest rate futures markets.

### **●RBI CAUTIONS AGAINST FRAUDULENT ACTIVITIES IN ITS NAME:**

The Reserve Bank of India has issued a warning about fraudulent activities where scammers misuse its name to deceive the public. RBI has observed that unscrupulous elements are using various methods to defraud members of the public by using the name of RBI in some capacity.

**A brief on various modus operandi employed by such fraudsters is as below:**

i) **Enticing tactics:** Fraudsters use fake letter heads and fake email addresses of RBI, impersonating as employees of RBI, and lure people with fictitious offers such as lottery winnings, fund transfers, foreign remittance, government schemes, etc. Targeted victims are made to part with money in the form of currency processing fee, transfer/remittance/procedure charges, etc. Another tactic is of small/medium businesses being approached by fraudsters posing as government/RBI officials and made to pay a "security deposit" under the garb of a government contract or scheme, with the promise of attractive payments.

ii) **Intimidating tactics:** Fraudsters impersonate RBI or government officials through IVR calls, SMS, or emails, threatening to freeze or block bank accounts unless victims share personal and banking details or install unverified apps. They may also accuse victims of involvement in illegal activities such as money laundering or counterfeit dealings. The bank is aware of rising incidents of cybercriminals using "Blackmail" and "Digital Arrest" tactics.

iii) **Fake accreditation of RBI:** RBI has come across some websites and apps of entities such as unauthorized digital lending apps and other supposed financial services providers, which fraudulently claim to be registered with RBI as NBFC, digital lending app, Payment System Operator, etc.

#### **In view of the above, RBI reiterates the following:**

RBI does not maintain any account in the name of individuals/companies/trusts in India to hold funds for disbursement. It also does not open accounts for individuals or ask them to deposit money in those accounts.

RBI does not send emails intimating award of lottery funds, etc, or any SMS, letter or email to communicate fictitious offers of lottery winnings or funds received from abroad.

Beware of calls, emails, and any other communication by cybercriminals posing as officials from Government agencies/RBI, asking for transfer of money under the pretext of any enticing offer or alarming issue.

**Do not** share account login details, personal information, copies of KYC documents, card information, PIN, password, OTP, etc. with unidentified persons or agencies. Further, such details should not be shared through unverified/unauthorised websites or applications. In case they receive any such requests, customers are requested to get in touch with their bank/branch.

List of all entities regulated by RBI are uploaded in the Bank's website (<https://rbi.org.in/>).

### **●RECOGNITION OF SELF-REGULATORY ORGANISATION(S) IN THE FINTECH SECTOR (SRO-FT):**

➤ The Reserve Bank of India recognizing the importance of fostering a strong compliance culture in financial markets, issued a Framework for Recognition of Self-Regulatory Organisations (SROs). This framework outlines the potential role of SROs in ensuring adherence to regulatory guidelines, ethical standards, and overall best practices among their member institutions. It is a significant step towards improving market integrity, transparency, and investor protection.

➤ The framework for recognition of self-regulatory organisations in the financial markets has been set at a minimum **Rs.10** crore - eligibility threshold to help strengthen compliance culture and provide a consultative platform for policy making.

➤ The proposed self-regulatory organisations can play a vital role in developing industry standards and best practices and ensuring that members adhere to these. They will also establish minimum benchmarks and conventions for professional market conduct. The SROs will be expected to ally with the RBI in ensuring better compliance with regulatory guidelines and for detection of early warning signals, among other things.

## CTDI PUBLICATIONS

● **BANKER'S BRIEFCASE:** Book designed to update the knowledge and sharpen the skills for facing interview confidently. A comprehensive masterpiece developed to cover all important topics required to update you for all promotion interviews. A must have book to ensure your success in interview. (Price Rs. 800/- + 150/- Speed Post Charges).

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## TIT BITS

● **NOMINATION ON RBI CENTRAL BOARD:** Government has nominated Shri Nagaraju Maddirala, Secretary, Deptt. of Financial Services, Ministry of Finance, Govt. of India as a Director on the Central Board of RBI.

● **C.S. SETTY APPOINTED AS NEW CHAIRMAN OF SBI:** Challa Sreenivasulu Sett Setty has been appointed as the new Chairman of the State Bank of India. Shetty will be stepping into the shoes of Dinesh Khara, the current chairman. In addition to Shetty's appointment, Rana Ashutosh Kumar Singh has been named the next managing director (MD) of SBI. Singh will take over the MD role from Setty, who has been serving in this capacity.

● **FINANCE SECRETARY T.V.SOMANATHAN APPOINTED CABINET SECRETARY:** Union government has announced T.V. Somanathan as the Cabinet Secretary-designate. A 1987-batch IAS officer of Tamil Nadu cadre, will take over India's top bureaucratic when incumbent Rajiv Gauba's tenure ends.

● **COMMITTEE ON BENCHMARKING OF ITS STATISTICS:**  
➤ The Reserve Bank has constituted an Expert Committee chaired by **Dr. Michael Debabrata Patra, Deputy Governor** of the RBI to review and enhance the quality of statistical data disseminated by the Bank.

● **RBI90Quiz:** RBI has announced the launch of RBI90Quiz for college students at the undergraduate level. The quiz is a nationwide competition being held as part of the events to commemorate 90 years of RBI's functioning.

● **FOUR NEW NAVRATNAS:** Finance minister Nirmala Sitharaman has granted the Navratna status to four more state owned public enterprises - Satluj Jal Vidyut Nigam Ltd, Solar Energy Corporation of India Ltd, Railtel Corporation of India Ltd and National Hydroelectric Power Corporation Ltd. The upgradation to Navratna status will give the board of these four central public sector enterprises greater autonomy in terms of taking financial decisions.

● **FASTAG, NCMC AUTO-REPLENISHMENT ADDED TO E-MANDATE FRAMEWORK:** RBI has updated its e-mandate framework to include the auto replenishment of balances in FASTag and the National Common Mobility Card (NCMC). Under the new rules, these auto-replenishment transactions, which occur when balances fall below a customer-defined threshold, will no longer require a pre-debit notification.

● **UPI CIRCLE:** National Payments Corporation of India has unveiled a new feature called 'UPI Circle' on the Unified Payments Interface platform, allowing primary UPI account holders to securely delegate payment responsibilities to trusted secondary users. This feature aims to enhance convenience and security in digital transactions by enabling primary users to link their UPI accounts with secondary users, who can then make payments on their behalf within pre-defined limits.

● **SMART LABORATORY ON CLEAN RIVERS (SLCR):** The Green Strategic Partnership between India and Denmark has led to the creation of the Smart Laboratory on Clean Rivers (SLCR) in Varanasi. This tripartite initiative, involving the Government of India, IIT-BHU, and Denmark, aims to rejuvenate the Varuna River using sustainable approaches.

● **LADKI BAHIN YOJANA:** Maharashtra government has launched the 'Mukhyamantri Majhi Ladki Bahin Yojana' on the occasion of Raksha Bandhan. This initiative aims to provide Rs.1500 every month to more than one crore women.

● **GOVT. LAUNCHES FLOODWATCH INDIA 2.0 APP:** The Union Minister for Jal Shakti has launched the 2.0 version of the 'Flood Watch India' mobile app, developed by the Central

Water Commission. This upgraded app. provides an enhanced and detailed overview of flood conditions across the country.

● **GOVT. LAUNCHES NEW SURVEILLANCE SYSTEM:** Government has launched the AI-based National Pest Surveillance System that will help farmers to connect with agriculture scientists and experts on controlling pests using their phone.

● **PUBLIC SECTOR BANKS' NPAS ON MUDRA LOANS FALL TO 3.4% IN 2023-24:** In response to a query in the Lok Sabha, FM Sitharaman has stated that public sector banks' non-performing assets associated with the Mudra loan category have declined to 3.4 per cent in the 2023-24 fiscal. This marks significant improvement in NPA from 4.77 per cent in 2020-21, 4.89 per cent in 2019-20, and 3.76 per cent in 2018-19.

● **'PRIMUS':** Axis Bank, in partnership with Visa, has unveiled the 'Primus' credit card, an ultra premium offering tailored for India's ultra high networth individuals. This card is designed to meet the discerning needs of the wealthy elite, offering unparalleled luxury, exclusivity, and personalized services.

● **INDIA'S FIRST 'RICE ATM':** Odisha has introduced India's first round-the-clock grain dispensing machine, known as the 'Annaparti Grain ATM', designed to transform the Public Distribution System (PDS) for ration cardholders.

● **TRAVEL AND TOURISM DEVELOPMENT INDEX 2024:** According to the Travel and Tourism Development Index (TTDI) for 2024 of the World Economic Forum (WEF), India has secured the 39th position among 119 countries. This ranking reflects India's overall performance across various indicators that contribute to a robust and sustainable tourism sector.

● **RBI HIKES UPI LIMIT FOR TAX PAYMENTS TO RS. 5 LAKH:** On boosting digital payments and facilitating larger transactions, RBI has increased the upper limit for tax payments through the Unified Payments Interface to Rs 5 lakh per transaction from the previous limit of Rs 1 lakh.

● **GOVT. OF NAGALAND, SBI GENERAL INSURANCE SIGN MOU FOR DRTPS:** In a move towards disaster preparedness, the Govt. of Nagaland and SBI General Insurance signed a Memorandum of Understanding for Disaster Risk Transfer Parametric Insurance Solution (DRTPS). This makes Nagaland the first state in the country to implement this disaster management insurance.

● **GOVT.LAUNCHES 'INDIA@100': A VISION FOR INDIA'S ECONOMIC FUTURE:** Union Minister of Commerce and Industry, has unveiled "India@100: Envisioning Tomorrow's Economic Powerhouse", a significant publication that charts India's economic trajectory towards 2047. This marks a pivotal moment in India's discourse on economic development and its aspirations to become a developed nation by its centenary year.

● **CREW SELECTED FOR AXIOM-4 MISSION TO ISS:** India has selected two astronauts, Group Captain Shubhanshu Shukla and Group Captain Prasanth Balakrishnan Nair, for the upcoming Axiom-4 mission to the International Space Station (ISS). The mission represents a significant step in strengthening human spaceflight cooperation between ISRO and NASA, as well as advancing India's own human space program.

● **UGRO CAPITAL AND SIDBI FORGE CO-LENDING PARTNERSHIP:** UGRO Capital, a data-tech non-banking financial company, has entered into a co-lending agreement with the Small Industries Development Bank of India (SIDBI) to provide timely and affordable credit to micro, small, and medium enterprises. This initiative aligns with the Reserve Bank of India's co-lending framework, aimed at enhancing priority-sector lending by combining the strengths of banks and NBFCs.

●**BHARAT MANUFACTURING FUND LAUNCHED:** PNB MetLife India Insurance Company Ltd has launched the Bharat Manufacturing Fund, a new fund option within its Unit Linked Insurance Plan (ULIP) category. Customers can invest in the Bharat Manufacturing Fund through a variety of existing PNB MetLife ULIPs, including the PNB MetLife Goal Ensuring Multiplier, PNB MetLife Smart Platinum Plus and PNB MetLife Mera Wealth Plan.

●**DAY-NRLM LAUNCHES MILLION DESIGNERS, BILLION DREAMS WITH LEAP:** Deendayal Antyodaya Yojana National Rural Livelihoods Mission (DAY-NRLM) has launched the initiative "Million Designers, Billion Dreams." This innovative program aims to empower individuals across India with systems design know-how to tackle complex societal challenges.

●**PENALTY OF 12% WILL BE IMPOSED IF INSURANCE CO MAKES LATE PAYMENT UNDER PMFBY:** Union Minister for Agriculture & Farmers' Welfare has announced that under PM Fasal Bima Yojana (PMFBY), a penalty of 12% will be imposed on insurance companies if the claimed payment gets delayed, which will be directly deposited into the farmers' accounts.

●**CREDIT ON UPI TOUCHED RS. 10,000 CR:** Credit cards spends via UPI have touched Rs.10,000 crore, of which about Rs.100 to Rs. 200 crores are spent via credit line on UPI, said Dilip Asbe, MD & CEO of NPCI. Credit line on UPI is the pre-approved loans, which are small ticket, short tenured loans.

●**SBI FORMS A TEAM OF 2,000 BANKERS TO ATTRACT THE RICH CLIENTS:** SBI is giving its wealth management business a renewed push amid a surge in the number of affluent individuals in India. SBI has announced to deploy about 2,000 executives as relationship managers, focusing on partnerships with smaller companies nationwide. This move comes as SBI aims to improve its approach to the wealth management sector.

●**HDFC BANK TOP EXECUTIVES HIGHEST PAID BANKERS IN FY24:** Top executives of HDFC Bank were the highest earning bankers in FY24, according to data compiled by Business Standard from annual reports of banks. Sashidhar Jagdishan, MD & CEO of HDFC Bank, drew a remuneration of Rs.10.77 crore in FY24, Kaizad Bharucha, Dy MD drew a remuneration of Rs.11.12 crore.

●**GOVT. APPROVES PMAY-U 2.0 WITH RS.2.30 TRN HOUSING ASSISTANCE:** The Union Cabinet has approved the Pradhan Mantri Awas Yojana-Urban (PMAY-U) 2.0 under which financial assistance will be provided to one crore urban poor and middle-class families through states and UTs to construct, purchase, or rent a house at an affordable cost in urban areas in five years. According to a statement, the government will provide an assistance of Rs. 2.30 trillion.

●**UNIQUE IDENTIFICATION NUMBER MANDATORY FOR VALUATION REPORTS:** The Insolvency and Bankruptcy Board of India (IBBI) will provide a unique identification number for each valuation report prepared under the insolvency law to ensure authenticity. IBBI is the designated authority for registration, monitoring and development of valuers under the Companies Act, 2013.

●**INDUSIND BANK GETS RBI NOD TO LAUNCH AMC:** RBI has approved IndusInd Bank to set up a wholly-owned subsidiary for asset management business of mutual funds, with infusing equity capital in the said asset management subsidiary.

●**SLICE GETS NCLT NOD FOR ITS MERGER WITH NORTH EAST SMALL FINANCE BANK:** Fintech major Slice has received the National Company Law Tribunal's (NCLT) approval for its merger with North East Small Finance Bank. The Guwahati bench of the NCLT has sanctioned the scheme of

arrangement and amalgamation involving Garagepreneurs Internet, Quadrillion Finance, Intergalactory Foundry, RGVN (North East) Microfinance, and North East Small Finance Bank.

●**FRAMEWORK FOR FINANCIAL MARKET SELF-REGULATORY ORGANISATIONS:** The RBI has issued a framework for recognition of self-regulatory organisations in the financial markets setting a minimum Rs.10 crore eligibility threshold to help strengthen compliance culture and provide a consultative platform for policy making.

●**KVIC PARTNERS WITH DEPARTMENT OF POSTS:** Khadi and Village Industries Commission (KVIC) signed an MoU with the Department of Posts, to foster cooperation between the two government departments and facilitate the prompt settlement of margin money subsidy for PMEGP units. By this system along with physical verification of PMEGP units, margin money subsidy will also be settled at a faster pace.

●**DOWNSTREAM INVESTMENT IN PAYTM PAYMENTS SERVICES:** One 97 Communications, the parent company of Paytm, has received approval from the Govt. to invest in its wholly owned subsidiary, Paytm Payments Services Limited (PPSL). With this approval, PPSL will proceed to resubmit application for its payment aggregator license.

●**LGBTQ PERSONS CAN OPEN JOINT BANK ACCOUNT:** The finance ministry has stated that there are no restrictions for persons of the LGBTQ (lesbian, gay, bisexual, transgender, queer) community to open a joint bank account and to nominate a person in a queer relationship as a nominee. A clarification in this regard has also been issued by the RBI to all the scheduled commercial banks on August 21, 2024.

●**ACCOUNT AGGREGATOR ECOSYSTEM CLOCKS 100 MILLION CONSENTS ON FRAMEWORK:** The account aggregator (AA) ecosystem has surpassed 100 million consents on the AA framework with about 80-90 million Indians using the system in the country, said Digi Sahamati Foundation (Sahamati) the industry alliance for AA. In India, AAs act as consent managers that operate independent of FIUs which allows users and businesses to consensually share their financial data and manage consents at one place.

●**'INSURANCE FOR ALL':** The IRDA has urged companies to devise strategies for offering affordable insurance products to meet the "insurance for all" goal by 2047. The initiative comes in response to the high premiums in health insurance, which are causing many senior citizens to opt out due to affordability issues.

●**AMAZON PAY UPI SURPASSES 100 MILLION CUSTOMERS:** Amazon Pay UPI has crossed 100 million customers, with the online platform used mainly for e-commerce transactions, utility bill payments and mobile recharges. The app has become a significant success, streamlining transactions both on Amazon.in shopping app and across a wide range of external platforms.

●**FM SITHARAMAN'S PMJDY EXPANSION PLAN FOR FY25:** On the eve of the 10th anniversary of Pradhan Mantri Jan-Dhan Yojana (PMJDY), Union Finance Minister Nirmala Sitharaman announced that the government aims to open over 30 million new PMJDY accounts during 2024-25. As of August 14, 2024, a total of 531.3 million Jan-Dhan accounts have been opened since the scheme's launch a decade ago, with a cumulative deposit balance of Rs 2.3 trillion.

●**RBI RECOGNISES 'FACE' AS SELF-REGULATORY ORGANISATION (SRO) IN FINTECH SECTOR:** RBI has recognised Fintech Association for Consumer Empowerment (FACE) as an SRO in FinTech Sector (SRO-FT). RBI received three applications, including FACE, for SRO-FT., one application has been returned for resubmission after meeting certain requirements. The third application is under examination.

## BANKING & FINANCIAL NEWS

### ●INDIA'S MERCHANDISE TRADE DEFICIT WIDENS TO \$23.5 BILLION IN JULY 2024:

India's goods trade deficit widened in July compared with the previous month due to increasing imports and damp global demand amid geopolitical challenges.

➤ The **merchandise trade deficit**, the difference between the country's exports and imports, stood at \$23.5 billion in July, higher than the \$20.98 billion deficit reported in the previous month.

➤ **Merchandise exports** fell to \$33.98 billion in July, from \$35.20 billion in June and \$38.13 billion in May. In July 2023, goods exports stood at \$34.49 billion.

➤ Meanwhile, **merchandise imports** stood at \$57.48 billion in July, higher than the \$56.18 billion recorded in June, though lower than the \$61.91 billion reported in May. During July 2023, merchandise imports stood at \$53.49 billion.

➤ The WTO expects global merchandise trade volumes to increase by 2.6% (annually) in 2024 and 3.3% in 2025, the agency said in its Global Trade Outlook and Statistics report.

➤ According to Commerce Secretary, exports were holding up despite a weak global trade environment, with increasing exports of Indian electronic goods, engineering goods, and drugs and pharmaceuticals. There is a lower export of petroleum products due to higher domestic consumption. In July 2023, India exported petroleum products worth \$6.7 billion, which decreased to \$5.2 billion in July 2024. The import of crude petroleum rose from \$11.8 billion in July 2023 to \$13.8 billion in July 2024.

➤ Indian exports have also been impacted by a slowdown in global growth. In addition, interest rate hikes due to persistent inflation, particularly in western economies, have slowed business and trade. Further, geopolitical challenges, such as the conflicts in West Asia, Ukraine and the Red Sea, have also hit global trade.

➤ Meanwhile, **India's services exports** stood at \$28.43 billion in July, higher than \$26.22 billion recorded during the same month of the previous year, though lower than the \$30.27 billion recorded during June.

➤ **Total exports, of both merchandise and services**, stood at \$62.42 billion in July, higher than the \$60.71 billion reported during July 2023, though below the \$65.47 billion reported during June 2024.

➤ **Total imports, including merchandise and services**, stood at \$72.03 billion in July, up from \$67.23 billion in the year-ago period. During June, total imports, including merchandise and services, stood at \$73.47 billion.

➤ The main drivers of merchandise exports during July included engineering goods, electronic goods, drugs & pharmaceuticals, meat, dairy & poultry products and RMG (readymade garments) of all textiles.

➤ According to official data, engineering goods exports rose 3.66% year-on-year to \$9.04 billion in July. Electronic goods exports rose 37.31% year-on-year to \$2.81 billion, while drugs & pharmaceutical exports increased by 8.36% to \$2.31 billion. Meat, dairy and poultry exports rose 56.18% annually during July to \$0.46 billion, and the export of RMG (textiles) rose 11.84% to \$1.28 billion in the same period.

➤ Meanwhile, gold imports stood at about \$3.13 billion in July, compared with \$3.06 billion in June.

➤ India, the world's **third-largest oil consumer**, imported \$13.8 billion of oil in July, compared with \$15.05 billion in the previous month, according to government data. A widening in the oil and non-oil deficit expanded the merchandise trade deficit in July 2024 relative to July 2023. The higher oil import bill reflects higher volumes and global prices and a possible decline in discounts.

➤ During July, **India's top export markets** were the US, UAE, Netherlands, United Kingdom, China, Singapore, Saudi Arabia, Bangladesh, Germany and South Africa.

➤ The top sources of imports during the month were China, Russia, UAE, USA, Iraq, Saudi Arabia, Indonesia, South Korea, Singapore and Japan.

### ●NARCL TO ACQUIRE ADDITIONAL RS 1.25 LAKH CRORE IN NPAs:

The government-backed National Asset Reconstruction Co Ltd (NARCL) has proposed to acquire an additional Rs. 1.25 lakh crore of non-performing assets from banks, with offers at various stages of due diligence and evaluation. This follows the acquisition of 18 accounts, totaling Rs 92,000 crore in banking loan exposure, including distressed NBFCs Srei Infrastructure Finance Ltd and Srei Equipment Finance Ltd.

➤ Currently, offers on assets worth Rs. 1.25 lakh crore are progressing through various acquisition stages, while due diligence and evaluations for assets worth approximately Rs. 40,000 crore are ongoing.

➤ The establishment of NARCL, a government backed entity for aggregating and resolving distressed assets, is expected to enhance market liquidity and competition. Operational since January 2022, NARCL acquires bad loans from banks by paying 15% of the amount in cash and the remainder in security receipts (SRs), which are to be matched with recovery over time. These SRs, guaranteed by the government and valid for five years, are invoked by banks in case of resolution or liquidation of the bad loan. This guarantee, covering the shortfall between the face value of SRs and actual realization, is the main advantage of the government backed bad bank.

### ●PUBLIC SECTOR BANKS' COMPENSATION FOR FRAUDS SOARS TO Rs.140 CRORE IN FY24:

The Parliament was informed that Public sector banks have reported over three-fold jump in compensation towards frauds or e-frauds reported by their customers to Rs. 140 crore during 2023-24. Union Bank of India paid the highest compensation of Rs. 74.96 crore followed by Bank of India at Rs.20.38 crore and Indian Bank at Rs.16.16 crore during FY24.

➤ The amount of compensation paid by these banks stood at Rs.42.70 crore in the previous fiscal. In FY23, Union Bank of India was again the highest compensation payer at Rs.12.18 crore followed by Central Bank of India at Rs.11.68 crore.

➤ The Finance Minister said that RBI in July 2017 issued instructions on limiting the liability of customers in cases of unauthorised electronic banking transactions. As per these instructions, a customer has zero liability if the unauthorised transaction occurs on account of contributory fraud or negligence/deficiency on part of the bank.

➤ In cases where the deficiency lies neither with the bank nor with the customer but elsewhere in the system, the liability of a customer is zero, if she or he informs the bank regarding an unauthorised electronic transaction within three working days of receiving information in respect of the transaction from the bank.

➤ Liability of the customer ranges from Rs.5,000 to Rs.25,000 if reported within 4-7 working days, and if reported beyond 7 working days, it shall be determined as per the bank's board-approved policy.

➤ In cases where the loss is due to negligence by a customer, she said, the customer bears the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction is borne by the bank.

### ●AMBANI FAMILY WEALTH 10% OF INDIA GDP:

➤ The Ambani family has topped the inaugural Barclays-Hurun India Most Valuable Family Businesses list with a valuation of 25.75 trillion, nearly a tenth of India's gross domestic product.

➤ The family's business empire, led by Reliance Industries, primarily operates in the energy, retail, and telecom sectors, according to the 2024 Barclays Private Clients Hurun India Most Valuable Family Businesses report.

➤ The rankings, based on company valuations as on March 20, 2024, exclude private investments and liquid assets and adjust for cross holdings. The value of Ambani wealth includes their share in Reliance, Jio Platforms, Reliance Retail, etc.

#### **●SHIFT IN HOUSEHOLD SAVINGS - CAPITAL MARKETS OVER TRADITIONAL BANKS:**

➤ The RBI Governor Shaktikanta Das has highlighted a notable shift in household savings preferences from traditional banks to capital markets. This change reflects a broadening of investment choices to include mutual funds and other financial intermediaries.

➤ Historically, households primarily relied on banks for savings deposits. However, Das noted an increasing trend towards investing in capital markets and financial intermediaries. While bank deposits still constitute a major portion of household financial assets, their share is declining as more households allocate savings to mutual funds, insurance funds, and pension funds. This shift has significant implications for the banking sector.

➤ The Governor emphasized the need for banks to explore new methods to manage the gap between credit and deposits. Banks have been compensating for this gap by relying more on short-term borrowings and certificates of deposit, increasing their sensitivity to interest rate changes and posing challenges to liquidity management.

➤ Das also pointed out the transition from CASA (Current Account Saving Account) deposits and urged banks to adapt by refining credit underwriting standards and risk pricing to maintain stability and profitability. He referenced past global banking crises, such as those in the US and Switzerland in 2023, which highlighted vulnerabilities in certain banking business models. Governor Das concluded by stressing the importance of learning from these crises to enhance the resilience of the banking sector.

#### **●GOVT. GETS INTO THE ACT TO CREATE 'BIG FOUR'**

➤ India is considering changes in the Limited Liability Partnership (LLP) Act and other measures that would enable domestic accounting firms to merge and acquire scale. The government is of the view this will help create large domestic audit firms akin to the Big Four, people aware of the development said.

➤ Ministry of Corporate Affairs (MCA) could outline some details as part of the new government's 100-day agenda. The LLP law and the Companies Act could be amended in the winter session of Parliament, likely to be held in December.

➤ The ministry is also engaged in talks with the Institute of Chartered Accountants of India (ICAI), which has decided to relax key provisions in its regulatory framework to facilitate the aggregation of chartered accountant firms.

#### **●BANKS, NBFCs CAN'T CLASSIFY MSMEs LOAN ACCOUNT AS NPA WITHOUT FOLLOWING 2015 FRAMEWORK: SC**

➤ The Supreme Court has ruled that banks and Non-Banking Financial Companies cannot classify loan accounts of Micro, Small and Medium Enterprises (MSMEs) as Non-Performing Assets (NPA) without following the due procedure prescribed by the Centre in its 2015 notification.

➤ A bench of Justices Bela M Trivedi and R Mahadevan said the 'Framework for Revival and Rehabilitation of MSME', as notified by the Centre by its May 29, 2015 notification and subsequent directions issued by the Reserve Bank of India in 2016, have statutory force and are binding on all scheduled commercial banks licensed to operate in India by the RBI.

➤ The bench said the 2015 instructions issued by the Centre as part of measures taken for facilitating promotion and development of MSMEs followed by the directions issued by the RBI need to be followed by the banking companies though they may be 'secured creditors' as per the definition contained under the Securitization and Reconstruction of Financial Assets and Enforcement of

Security Interest Act (SARFAESI), 2002 before classifying the loan account of MSMEs as NPA.

➤ It said under the "Framework for Revival and Rehabilitation of MSMEs", the banks or creditors are required to identify the "incipient stress" in the account of MSMEs, before their accounts turn into non-performing assets, by creating three sub-categories under the "Special Mention Account".

➤ The bench set aside the order of the high court and its finding that banks are not obliged to adopt the restructuring process on their own or that the 2015 framework cannot be said to be mandatory in nature, terming it as "highly erroneous".

#### **●BANKING 'EFFICIENCY' - PUBLIC SECTOR BANKS BEAT PRIVATE PEERS IN NEW SBI LIST:**

➤ According to a study conducted by State Bank of India, India's largest state-owned bank, public sector banks in India demonstrate greater "efficiency" compared to their private sector counterparts.

➤ The study evaluates efficiency by examining how effectively banks utilise their resources to produce output at an optimal scale. In terms of individual bank performance over the full sample period from FY06-23, SBI leads the public sector banks with a score of nearly 98%, followed by Union Bank of India at 92.5%. In the private sector, HDFC Bank ranks highest with a score of nearly 98%, followed by Axis Bank at 94.4%.

➤ The study revealed that public sector banks have generally been more efficient than private banks, except during FY19-23, likely due to mergers and the rationalisation of businesses, branches, and employees. Despite undergoing numerous structural changes, PSBs have maintained an efficiency level of 82.8%, outperforming all scheduled commercial banks at 81.2%, private banks at 79.6%, and foreign banks at 78.2%.

#### **●BANKS FACE A HIGH BACKLOG IN DEBT RECOVERY, WITH OVER 200,000 CASES:**

➤ Banks face a significant backlog in debt recovery, with over 200,000 cases pending in Debt Recovery Tribunals (DRTs). At the current rate of resolving 30,000-40,000 cases annually, it would take approximately seven years to clear this backlog.

➤ From 2017 to 2022, DRTs disposed off 145,000 cases, but the increasing caseload demands faster action. To tackle this issue, the latest budget includes plans to boost the capacity of DRTs and NCLTs, aiming to enhance the Insolvency and Bankruptcy Code (IBC) and streamline debt recovery processes.

➤ DRT recovery rates have significantly dropped from 77% in 2005-06 to single digits, making it crucial to address this decline. Hari Hara Mishra, CEO of the Association of ARCs in India, suggests that allowing banks and financial institutions to handle loans up to Rs.1 crore through Lok Adalats could alleviate some of the DRT workload.

➤ Currently, 39 DRTs struggle with 60,000 new cases annually while only resolving 30,000-40,000. In contrast, the IBC has successfully resolved over 1,000 cases and recovered Rs.3.3 lakh crore, with around 28,000 cases involving more than Rs.10 lakh crore settled before formal IBC admission.

➤ Despite reforms, recovery from DRTs remains less effective compared to mechanisms like the SARFAESI Act. The government has instructed bank chiefs to monitor the top 20 accounts closely to expedite resolutions, reflecting efforts to reduce non-performing assets (NPAs) from 14.5% in March 2016 to 2.8% by March 2024.

➤ Additionally, the sale of stressed assets to asset reconstruction companies surged in FY23, largely due to the newly operationalized National Asset Reconstruction Company Ltd (NARCL). During 2022-23, 9.7 per cent of the previous year's gross NPAs of scheduled commercial banks were sold to ARCs, compared to 3.2 per cent in 2021-22, according to RBI data.

**●INDIA SHIFTS FOCUS FROM FISCAL DEFICIT TARGETS TO DEBT-TO-GDP RATIO POST-2025:**

➤ India plans to transition away from setting specific fiscal deficit targets after the 2025-26 fiscal year, according to Finance Secretary T.V. Somanathan. Instead, the government will use the debt-to-GDP ratio as the primary guide for fiscal policy.

➤ Historically, India has aimed for a fiscal deficit of 3% of GDP but has struggled to meet this goal. The pandemic exacerbated the country's debt and deficit, although these have since been managed more effectively. The federal government aims to reduce the fiscal deficit to 4.9% of GDP by March 2025 and below 4.5% by March 2026. Somanathan indicated that India can maintain a fiscal deficit above 3% and still be considered fiscally sustainable due to high nominal growth rates.

➤ Fitch Ratings projects India's debt -to-GDP ratio to be around 80% until 2027-28. Somanathan reaffirmed the government's commitment to reducing this ratio over time.

**●INDIA SET TO DOMINATE GLOBAL REMITTANCE MARKET, RBI FORECASTS \$160 BILLION BY 2029:**

➤ India is on track to become the world's leading labor supplier, driving remittances to an estimated \$160 billion by 2029, up from \$115 billion in 2023, according to the Reserve Bank of India's latest Report on Currency and Finance (RCF). Currently, India leads global remittance recipients, accounting for 13.5% of the total worldwide remittances, a share that continues to grow.

➤ The report highlights a significant rise in India's remittance-to-GDP ratio from 2.8% in 2000 to 3.2% in 2023, surpassing the ratio of gross foreign direct investment (FDI) inflows. This increase is attributed to India's growing working-age population and the diminishing workforce in advanced economies.

➤ In 2023, global remittances reached \$857.3 billion, with India, Mexico, China, and the Philippines being the top recipients. The report notes that remittance costs have decreased due to digital advancements, though the average cost in India remains slightly above the Sustainable Development Goal (SDG) target of 3% for sending \$200.

➤ Digitalization is expected to enhance the speed and transparency of cross-border transactions, further benefiting India's remittance inflows. India Set to Dominate Global Remittance Market, RBI Forecasts \$160 Billion by 2029.

**●NAVIGATING SYSTEMIC RISKS IN DIGITAL FINANCE:**

➤ RBI Governor Shaktikanta Das has highlighted the systemic risks posed by increased digital interconnectedness, despite the strides made in the financial sector due to digitalisation. He outlined challenges such as cybersecurity, data privacy, data bias, vendor and third-party risks, and customer protection. The rise in interconnectedness could introduce complex products and business models with potential risks, including fraudulent apps.

➤ In the RBI's Report on Currency and Finance for 2023-24, Das emphasized the need for strategic investments in upskilling to address human resource challenges. He stated that balancing financial stability, customer protection, and competition is a key policy challenge. Regulatory and supervisory frameworks must evolve to navigate these complexities and future-proof the financial system. He highlighted RBI's measures, including guidelines on account aggregators, peer-to-peer lending, digital lending, and the establishment of the RBI Innovation Hub. He emphasized fostering a strong risk culture focused on customer centricity, governance, and business conduct to promote a resilient financial sector.

➤ Digitalisation is driving next-generation banking, improving access to financial services, and enhancing the efficiency of direct benefit transfers. It boosts e-commerce through embedded finance and enhances India's services exports while reducing remittance costs. RBI's initiatives are setting benchmarks globally, transforming digital public infrastructure into a global public good.

**●RBI GOVERNOR RANKED TOP CENTRAL BANKER GLOBALLY FOR THE SECOND CONSECUTIVE YEAR:**

➤ The Reserve Bank of India Governor Shaktikanta Das has been rated "A+" for the second consecutive year in the Global Finance Central Banker Report Cards 2024. The other Central Bankers earning an A+ grade are Denmark's Christian Kettel Thomsen and Switzerland's Thomas Jordan,

➤ The Central Banker Report Cards, published annually by Global Finance since 1994, grade the central bank governors of nearly 100 key countries, territories, and districts, as well as the European Union, the Eastern Caribbean Central Bank, the Bank of Central African States and the Central Bank of West African States.

➤ Grades are based on an "A+" to "F" scale for success in areas such as inflation control, economic growth goals, currency stability and interest rate management. "A" represents an excellent performance, down through "F" for outright failure.

➤ Central bankers have waged war against inflation over the past few years, wielding their primary weapon: higher interest rates. Now, countries around the world are witnessing the tangible results of these efforts, as inflation has dropped significantly," said Global Finance founder.

**●BANK CREDIT GROWTH OUTPACES DEPOSITS AGAIN:**

➤ Bank credit rose 14% on-year as of June 28, outpacing deposit growth at 11%, putting the spotlight yet again on central bank's concerns over the gap that could lead to asset-liability mismatches. Latest RBI data showed the growth in deposits and credit was lower than the year-ago period, reflecting a slowdown in economic activities due to the uncertainty on the economic outlook because of the Lok Sabha elections.

➤ Year-on-year credit and deposit growth rates in the same period of 2023-24 were higher - at 16.3% and 12.9%, respectively. Nonetheless, deposit growth continues to lag credit growth, and this trend has emerged as a major area of regulatory concern.

➤ RBI Governor Shaktikanta Das highlighted the need to address the persisting gap between credit and deposit growth. In his June bi-monthly monetary policy statement, Governor Das said the persisting gap warrants a rethink by the boards of banks to re-strategise their business plans. A prudent balance between assets and liabilities must be maintained.

**●FM TELLS LENDERS TO BULK UP DEPOSITS :**

➤ The Finance minister Nirmala Sitharaman has said that lenders need to focus on raising smaller deposits that come in "trickles," but are the "bread and butter" of the banking system. She commented on the widening gap between deposits and credit, which has become a cause for concern, at a media briefing after the Reserve Bank of India (RBI) board meeting.

➤ Sitharaman said deposits and lending are the two wheels of a cart, but "deposit is moving slowly." Aggregate deposits of all scheduled commercial banks rose 10.6% as of July 26 from a year earlier, lagging the 13.7% expansion in credit.

➤ The finance minister stressed that they needed to focus on the core banking business, which is mobilising deposits and lending to those who need funds. Banks need to come up with "innovative and attractive" deposit schemes, she said.

➤ The RBI governor Shaktikanta Das said that the banking regulator had sounded out banks on this as a matter of proactive caution as the trend can lead to potential liquidity issues. Asked whether any policy interventions were required to address the gap between deposits and lending, he said interest rates were already deregulated and could be used to attract deposits. "Banks are free to decide on interest rates," Das said. This is part of broader economic reforms and any increase in regulation would be a retrograde step, he added.

**●SOURCE: RBI / GOVT. NOTIFICATIONS, BUSINESS STANDARD, ECONOMIC TIMES, FINANCIAL EXPRESS, LIVEMENT ETC.**



## BRAIN STORMING

1) RBI publishes a composite RBI – Digital Payments Index (RBI-DPI) since January 1, 2021 with March 2018 as base to capture the extent of digitisation of payments across the country. The index for March 2024 stands at \_\_\_\_\_ as against 418.77 for Sept 2023:

- a) 445.50      b) 446.50      c) 447.50      d) 448.50

2) The RBI has reported a notable increase in its Financial Inclusion Index (FI-Index) to \_\_\_\_\_ in March 2024, up from 60.1 in March 2023. The FI-Index is a comprehensive measure, and encompasses three key parameters: access (35%), usage (45%), and quality (20%):

- a) 64.1      b) 64.2      c) 64.3      d) 64.4

3) To improve ease of doing business, RBI has permitted AD Cat-I banks and AD Cat-II entities to facilitate remittances on the basis of online of Form A2 without any limit. Further, reporting of transactions in FETERS shall continue, as earlier, by the ADs banks. What is the full form of FETERS?

- a) Foreign Exchange Transactions Electronic Report  
b) Foreign Exchange Transactions Electronics Reporting  
c) Foreign Exchange Transactions Electronic Reporting  
d) Foreign Exchange Transaction Electronic Reporting

4) With a view on streamlining the regulatory compliances and operational procedures, RBI has now decided that Authorised Dealers shall obtain \_\_\_\_\_ in physical or digital form for all cross-border remittances irrespective of the value of transaction. Banks to ensure that such transactions do not involve any contravention of the provisions of FEMA.

- a) Form A2      b) Form A3      c) Form A4      d) Form A5

5) Primary (Urban) Co-operative Banks (UCBs) were advised that the aggregate of their all loans against the security of shares and debentures should be within the overall ceiling of \_\_\_\_\_ and shall be linked to Tier I capital of the bank as on 31st March of the previous financial year. The change stipulated shall be effective from Jan. 01, 2025:

- a) 15%      b) 20%      c) 25%      d) 30%

6) RBI has decided that Authorised Persons may facilitate remittances for all permissible purposes under LRS to IFSCs for availing financial services or financial products as per the International Financial Services Centres Authority Act, 2019 within IFSCs; and all current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through a \_\_\_\_\_ held in IFSCs. For these permissible purposes, resident individuals can open the account in IFSCs.

- a) Foreign Current Account (FCA)  
b) Faraway Currency Account (FCA)  
c) Foreign Currency Account (FCA)  
d) Foreign Cash Account (FCA)

7) Fully Accessible Route (FAR) was introduced by the RBI in the year 2020, in which Non Resident Indians were permitted to invest in certain specified categories of Central Government securities without any restrictions. RBI has decided to exclude all new securities of \_\_\_\_\_ year and \_\_\_\_\_ year tenors as 'specified securities' from the Fully Accessible Route:

- a) 14 ; 30      b) 12 ; 25      c) 10 ; 20      d) None

8) On a review, RBI has permitted Banks to use the ratings of credit rating agency namely \_\_\_\_\_ for risk weighting banks' claims for capital adequacy purposes:

- a) Acuite Ratings & Research Limited.  
b) Brickwork Ratings India Private Limited  
c) India Ratings and Research Private Limited (India Ratings).  
d) INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS).

9) The Reserve Bank of India has permitted to use the ratings of the Credit Rating Agency for risk weighting for capital adequacy purposes, in respect of fresh rating mandates, rating may be obtained from the CRA for bank loans not exceeding Rs. \_\_\_\_\_ crore. In respect of existing

ratings, the CRA may undertake rating surveillance irrespective of the rated amount, till the residual tenure of such loans.

- a) 150      b) 200      c) 250      d) 300

10) As per the extant guidelines, UCBs were required, to have at least 50% of their aggregate loans and advances comprising of Small Value Loans, i.e., loans of value not more than Rs.25 lakh or 0.2 per cent of their Tier I capital, whichever is higher, subject to a maximum of Rs.1 crore, per borrower. The target date for complying with the above requirement was March 31, 2024. RBI has now decided to extend the glide path to achieve the aforementioned target i.e., 40% by \_\_\_\_\_ and 50% by \_\_\_\_\_:

- a) 31st March 2025; 31st March 2026  
b) 30th June 2025; 30th June 2026  
c) 30th Sept. 2025 ; 30th Sept. 2026  
d) None

11) Financial Services Institution Bureau (FSIB) has selected \_\_\_\_\_ as the next chairman of State Bank of India:

- a) John Matthai      b) Challa Sreenivasulu Setty  
c) H. V. R. Iengar      d) P. C. Bhattacharya

12) A Book "Power Within: The Leadership Legacy of Narendra Modi." a landmark book on leadership has been authored by:

- a) Amish Tripathi      b) Ashwin Sanghi  
c) Dr. R Balasubramaniam      d) Ravinder Singh

13) \_\_\_\_\_ has partnered with Online PSB Loans Ltd. to digitalize Jan Suraksha Schemes for regional rural banks.

- a) NABARD      b) SIDBI      c) IFCI      d) SBI

14) SEBI has introduced \_\_\_\_\_ an AI-powered chatbot designed to assist investors with a range of functions:

- a) 'SEAA'      b) 'SEVA'      c) 'SEAS'      d) 'SEIH'

15) The Women Entrepreneurship Platform (WEP) and TransUnion CIBIL have launched \_\_\_\_\_, a credit education program designed to empower women entrepreneurs in India:

- a) 'SHEER'      b) SEEHR      c) 'SEHER'      d) None

16) RBI has joined Project \_\_\_\_\_, a multilateral international initiative to enable instant cross-border retail payments by interlinking domestic Fast Payments Systems (FPSs). The Project conceptualized by the Innovation Hub of the BIS, aims to connect the FPSs of four ASEAN countries for efficiency by 2026.

- a) Nexus      b) Network      c) Intranet      d) Extranet

17) Govt. has launched a portal \_\_\_\_\_. In alignment with the PM's vision "Mission Karmayogi" this is a unique Corporate Social Responsibility (CSR) scheme by Coal India Limited for youth of its operating districts who have qualified the Preliminary round of UPSC examination.

- a) Noble Initiative for Rewarding Mains Aspirants of National Civil Services Exam (NIRMAND)  
b) Noble Initiative for Rewarding Mains Aspirants of National Civil Services Examination (NIRMAN)  
c) Noble Initiative for Recognising Mains Aspirants of National Civil Services Examination (NIRMAN)  
d) National Initiative for Rewarding Mains Aspirant of National Civil Service Examination (NIRMAN)

18) Indians in \_\_\_\_\_ will be able to scan a QR code and make payments via UPI as NPCI International Payments (NIPL) has signed an agreement with QNB, the largest financial institution in the Middle East and Africa.

- a) Dubai      b) Amman      c) Qatar      d) Singapore

19) As per latest master direction, RBI has told banks and NBFCs to be watchful of 'wilful default' aspect in all NPA accounts with outstanding amounts of Rs. \_\_\_\_\_ lakh and above. RBI asked banks to issue Show Cause Notices (SCN) to borrowers identified as wilful defaulters, give them a personal hearing, and provide them at least \_\_\_\_\_ days to reply.

- a) 25 ; 21      b) 25 ; 15      c) 25 ; 12      d) 25 ; 10

20) As per RBI's Master Directions on Fraud Risk Management In Commercial Banks, Early Warning Signals (EWS) indicators for monitoring credit facilities, loan accounts, and other banking transactions must be approved by the Risk Management Committee of the Board(RMCB). The RMCB should set a Turnaround Time (TAT) for examining EWS alerts, preferably within \_\_\_\_ days.

- a) 15                      b) 30                      c) 45                      d) 60

21)As per RBI's Master Directions on Treatment of Wilful Defaulters and Large Defaulters,'Large Defaulter' means a defaulter with an outstanding amount of Rs.\_\_\_\_crore and above, and where suit has been filed; or whose account has been classified as doubtful or loss (in accordance with the instructions issued by the RBI.

- a) 1                      b) 1.5                      c) 2                      d) 2.5

22) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks,the decision to classify an account as red-flagged is made by the individual bank, which must report the status on the Reserve Bank's CRILC platform within \_\_\_\_ days:

- a) 3                      b) 5                      c) 7                      d) 10

23) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks,the process of classifying an account as fraud or removing its red-flagged status should be completed within \_\_\_\_ days. Cases exceeding this period be reviewed by the SCBMF and reported to RBI.

- a) 30                      b) 60                      c) 120                      d) 180

24) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, Fraud cases involving Rs.\_\_\_\_crore or more must be referred to the Advisory Board for Banking and Financial Frauds (ABBFF) to examine the role of all officials, including ex-officials and whole-time directors.

- a) 3                      b) 2                      c) 1                      d) None

25) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks,Entities and persons classified as fraudulent by banks, along with associated entities/persons, are barred from raising funds or seeking additional credit from RBI-regulated financial entities for \_\_\_\_years after full repayment or settlement of the defrauded amount. After the five-year cooling period, banks have discretion to decide whether to provide credit facilities to these entities or persons.

- a) 1                      b) 2                      c) 3                      d) 5

26) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, Banks must report disputed, suspected, or attempted fraudulent transactions related to payment systems to the \_\_\_\_\_. If these transactions are later confirmed as frauds, they must also be reported via FMR for inclusion in the CFR.

- a) Central Payments Fraud Informative Registry (CPFIR)  
b) Central Payment Fraud Information Registry (CPFIR)  
c) Central Payments Fraud Information Registry (CPFIR)  
d) Central Payments Fraud Information Registrar (CPFIR)

27)As per RBI's Master Directions on Fraud Risk Management in Commercial Banks,Banks must submit Fraud Monitoring Reports (FMR) for individual fraud cases within \_\_\_\_ days from the date of classification of the incident / account as fraud, regardless of the amount involved.

- a) 15                      b) 14                      c) 12                      d) 10

28) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, Banks can withdraw FMR or remove a perpetrator's name under exceptional circumstances, with due justification and approval of at least a \_\_\_\_ official.

- a) Whole-time director-level                      b) Part-time director-level  
c) Special director-level                      d) Executive director-level

29) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, Banks can close fraud cases involving amounts up to Rs.\_\_\_\_crore for statistical/reporting purposes if:

- a) The investigation or charge-sheet by LEAs has been pending for more than \_\_\_\_ years from the First Information Report (FIR) registration, or  
b) The charge-sheet is filed but the court trial has not commenced or has been pending for more than three years from the FIR date.

- a) 1 ; 2                      b) 1 ; 3                      c) 2 ; 3                      d) 3 ; 4

30) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, the \_\_\_\_ banker must report frauds involving forged instruments, including fake/forged truncated instruments, to LEAs and RBI/NABARD. The \_\_\_\_ bank should provide the underlying instrument to the paying bank upon request.

- a) Paying; Collecting                      b) Collecting; Presenting  
c) Paying; Presenting                      d) Presenting ; Collecting

31) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, if a genuine instrument is presented but payment is made to the wrong person, and the instrument is later found to be forged, the \_\_\_\_ bank that incurred a loss should report the fraud to RBI and inform LEAs for investigation.

- a) Presenting    b) Paying    c) Collecting    d) Drawee Bank

32) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, Title deeds and related documents for loans of Rs.\_\_\_\_crore and above must undergo periodic legal audits until the loan is fully repaid, as per the Board-approved policy.

- a) 7                      b) 5                      c) 3                      d) 2

33) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, for Small Finance Banks, Local Area Banks, and Regional Rural Banks, the threshold for legal audit is Rs.\_\_\_\_ crore.

- a) 3                      b) 2                      c) 1                      d) None

34) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, banks must complete fraud investigations before transferring accounts to other lenders or \_\_\_\_\_. If fraud is confirmed, it must be reported to RBI/NABARD before selling the accounts.

- a) Asset Reconstruction Companies (ARCs)  
b) Asset Rehabilitation Companies (ARCs)  
c) Asset Reorganisation Companies (ARCs)  
d) Asset Repair Companies (ARCs)

35) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, banks must report these incidents to the Fraud Monitoring Group (FMG) at RBI immediately but not later than \_\_\_\_ days of occurrence.

- a) 5                      b) 7                      c) 10                      d) 12

36) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks,Banks must submit a quarterly Return on these incidents to RBI through the online portal within \_\_\_\_ days after the end of each quarter.

- a) 7                      b) 10                      c) 15                      d) 21

37) As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, what is the threshold for reporting incidents of fraud to CBI for Public Sector Banks?

- a) Below Rs. 3 crore                      b) Rs. 3 crore and above  
c) Below Rs. 6 crore                      d) Rs. 6 crore and above

**ANSWER KEY**

1	A	2	B	3	C	4	A	5	B
6	C	7	A	8	B	9	C	10	A
11	B	12	C	13	A	14	B	15	C
16	A	17	B	18	C	19	A	20	B
21	A	22	C	23	D	24	A	25	D
26	C	27	B	28	A	29	B	30	C
31	A	32	B	33	C	34	A	35	B
36	C	37	D						

**RECOLLECTED QUESTIONS**

**CANARA BANK – (SCALE 2 TO 3 ON 11 NOV 2023)**

- Under SARFAESI, if borrower raises concern on receipt of 60 days demand notice. It is mandatory for the branch to respond within \_\_\_\_ days: **15**
- The threshold for Early Warning Signal and Red Flagged Account (RFA) is with an exposure of Rs. \_\_\_\_ crore or more at the level of a bank irrespective of the lending arrangement (whether sole banking, multiple banking or consortium): **50**
- MSME loan upto Rs. \_\_\_\_ crore can be given in-principal approval through psbloansin59minutes portal: **5**
- Aggregate sanctioned limit of above Rs \_\_\_\_ crore per borrower from the banking system, loans for agriculture infrastructure will be classified as Non Priority: **100**
- Metropolitan Housing Loan amount \_\_\_\_ and other cities loan amount \_\_\_\_ classified as priority sector: **Rs. 35 lakh; Rs. 25 lakh.**
- Incremental Export credit \_\_\_\_% and Rs. \_\_\_\_ crore, priority sector: **2;40**
- Under Pradhan Mantri Anusuchit Jaati Abhyuday Yojna (PM-AJAY) scheme, the loan proceeds to be directly remitted to dealers wherever possible. Otherwise, the loan may be credited to the account of the farmers who are to undertake to create the asset within \_\_\_\_ days /complete the project within \_\_\_\_ days of availing the disbursement: **15;30**
- Sale of assets to ARCs shall be done either on cash or Security Receipts (SRs) basis or both or Securities (bonds and debentures). A minimum of \_\_\_\_% of the sale consideration should be in the form of cash only: **10**
- Branches shall arrange to issue SARFAESI Notice within \_\_\_\_ days of account becoming NPA: **3**
- Cash withdrawal from other Bank's ATM is restricted to Rs. \_\_\_\_ per transaction: **10,000**
- In terms of RBI guidelines, the wrongful debit in the customer's account on account of ATM failed transactions shall be reversed within \_\_\_\_ days from the date of transaction. (T is the day of transaction and refers to the calendar date) failing which a penalty of Rs. \_\_\_\_ for each day of delay shall be credited to the customer's account along with the disputed amount: **T+5;100**
- As banks cannot claim that they bear no liability towards their customers for loss of contents of the locker, in instances where loss of contents of locker are due to incidents mentioned above or attributable to fraud committed by its employee(s), the banks' liability shall be for an amount equivalent to \_\_\_\_ times of the prevailing annual rent of the safe deposit locker: **100**
- The Bank shall be within its right to suspend the registration of any user and / or customer if the UPI service has not been accessed by the customer and / or user for \_\_\_\_ days or more: **180.**
- PM offices complaints period as per DOF and Bank rule \_\_\_\_ and \_\_\_\_ : **15 days ; 7 days**
- Under financing MFIs for on lending to SHGs (NABARD Model): Loans sanctioned to MFIs for on lending to SHGs are to be treated as secured loans since hypothecation of receivable/book debts shall be taken as prime security with minimum margin of \_\_\_\_%: **10**
- A Microfinance loan is defined as a collateral free loan given to a household having annual household income up to Rs. \_\_\_\_ lac irrespective of areas: **3**
- Data that enable to retrieve other data is known as: **Meta Data**
- Death certificate where depositor dies within India: Death certificate issued by one of the following authorities may not be accepted 1) Panchayat Office 2) Municipality / Corporation 3) Village Headman 4) Parish Priest 5) Police station: **Police station.**
- KCC loan upto what amount are to be routed through Jan Samrath Portal? **Rs. 1.6 lac**

- In case of borrowers where aggregate exposure of the banking system is Rs.5 Crore or more but less than Rs. \_\_\_\_ Crore, there is no restriction on opening of Current accounts by the lending banks. However, non-lending banks may open only collection accounts as detailed: **50**
- Tax Deducted at Source is \_\_\_\_% on Interest amount of Rs. 40,000/- and Rs. 50,000/- in case of Senior Citizen account without Pan card: **20**
- Positive Pay system for above \_\_\_\_ as per RBI, Banks can make it mandatory above \_\_\_\_ : **Rs. 50,000/- & Rs. 5 Lacs**
- The branches can finance up to \_\_\_\_ kms in their command area for all Priority Sector Advances: **30**
- As per RBI incentive scheme on distribution of coins, \_\_\_\_ per bag for distribution of coins, and an additional incentive of \_\_\_\_ per bag shall be paid for coin distribution in rural and semi-urban areas on the submission of a Concurrent Auditor (CA) certificate to this effect: **Rs.65 & Rs.10**
- Reporting of Currency Chest Transactions to RBI, the minimum amount of deposit into / withdrawal from currency chest shall be \_\_\_\_ and thereafter, in multiples of \_\_\_\_ : **Rs 1,00,000 and Rs 50,000**
- Under Exchange of Soiled Notes, where the number of notes presented by a person is up to 20 pieces with a maximum value of \_\_\_\_ per day, banks shall exchange them over the counter, free of charge: **Rs.5000**
- Cash receipts in the denomination of \_\_\_\_ and above are not put into circulation without machine processing: **Rs 100**
- For all Housing Loans Sanctioned for 3<sup>rd</sup> unit and above classified under HL NP CRE (Commercial Real Estate), Rate of Interest chargeable for 3<sup>rd</sup> unit is \_\_\_\_ bps & 4<sup>th</sup> and subsequent is \_\_\_\_ bps above Card Rate Applicable to all Housing Loan variants: **0.25 and 0.50**
- Limit upto \_\_\_\_ to Housing Finance Co for-on lending: **Rs.20 lac**
- Solar power loans upto \_\_\_\_ and \_\_\_\_ for individual families under priority sector: **Rs.30 Cr; Rs.10 Lakh**
- Which Rating agency recently prohibited by RBI: **BRICK WORKS. (Now Permitted by RBI)**
- IPO subscription margin amount: **50%**
- Validity period of Adhoc limit sanction: **15 Days**
- Extent of potential losses computed by multiplying the UFCE with largest Annual Volatility (LAV) seen in USD/INR rates during the last \_\_\_\_ years: **10**
- Definition of Start-up: Turnover of the entity for any of the FY since incorporation/ registration has not exceeded: **Rs. 100 crore**
- Each borrower shall be given a cooling off / look-up period. During this period, a borrower shall be given an explicit option to exit digital loan by paying the principal and the proportionate APR without any penalty during this period. This Cooling off / look-up period provided to the borrowers shall be minimum \_\_\_\_ days (regulatory) and can go up to maximum of \_\_\_\_ days (internal) depending upon the tenure of the loan. Respective Credit Wings may decide this on a product to product basis while obtaining permission from RMCB / Board: **3;15**
- Under Kisan OD for sanctioning of fresh loans and enhancement of existing limits mortgage of landed properties are to be obtained with value at least \_\_\_\_% of the limit as prime security. Out of which at least 15% security in the form of residential property: **200**
- Agricultural term loans shall be appraised by Agricultural Innovation Centre (AIC), HO on standalone basis for existing customers with Project Cost above Rs. \_\_\_\_ lakh : **500**
- Definition of Quick Mortality: All loan accounts of borrowers where the aggregate liability is Rs. \_\_\_\_ lakh and above, becoming NPA within a period of 12 months from the date of commencement of repayment of either interest or installment in respect of loans/limits sanctioned: **15.**

**LATEST GENERAL KNOWLEDGE**

- The RBI has re-approved the appointments of \_\_\_\_\_ as MDs and CEOs of Unity Small Finance Bank and Utkarsh Small Finance Bank, respectively: **Inderjit Camotra and Govind Singh**
- \_\_\_\_\_ has been appointed as the interim Chairman of the Airports Authority of India (AAI): **M Suresh**
- \_\_\_\_\_ has been appointed as the president-designate of the National Association of Software and Service Companies (NASSCOM): **Rajesh Nambiar**
- SEBI has approved the appointment of \_\_\_\_\_ as the MD & CEO of the Multi Commodity Exchange (MCX): **Praveena Rai**
- Lt. General \_\_\_\_\_ has become the first woman to be appointed the Director General of Medical Services: **Sadhna Saxena Nair**
- Appointments Committee of the Cabinet has approved the appointment of \_\_\_\_\_ as the Chairman of the SBI: **Challa Sreenivasulu Setty**
- Govt. has approved the appointment of \_\_\_\_\_ as Chairman and CEO of Railway Board: **Mr Satish Kumar**
- \_\_\_\_\_, the MD of SAP Labs India, has been appointed as the new chairperson of National Association of Software and Service Companies (Nasscom): **Sindhu Gangadharan**
- Govt appoints \_\_\_\_\_ as new Director of Enforcement Directorate (ED): **Rahul Navin**
- Govt. of Goa has launched the \_\_\_\_\_ scheme, aligning it with the Prime Minister's Surya Ghar Muft Bijli Yojana: **'Goem Vinamulya Vij Yevjan'**
- \_\_\_\_\_ hosted, first time, the 46th session of the World Heritage Committee Meeting, from 21st to 31st July, 2024, organized at Bharat Mandapam in New Delhi: **India**
- \_\_\_\_\_ stands as the 2nd largest Aluminium producer, the 3rd largest lime producer and the 4th largest iron ore producer in the world: **India**
- \_\_\_\_\_ held its position as the world's eighth largest exporter of agricultural products in 2023, despite a decline in exports from \$55 billion in 2022 to \$51 billion: **India**
- Google CEO \_\_\_\_\_ has been honored with Honorary Doctorate from IIT-Kharagpur: **Sundar Pichai**
- \_\_\_\_\_, capital of J & K has been awarded the prestigious Certificate of World Craft City by the World Crafts Council International: **Kashmir City**
- \_\_\_\_\_ has been conferred "Companion of the Order of Fiji" in the Capital Suva: **President Droupadi Murmu**
- \_\_\_\_\_ has been included in the list of Top 10 Richest Global Central Banks in 2024: **The Reserve Bank of India**
- \_\_\_\_\_ has secured a silver medal at the Paris 2024 Olympics in the men's javelin throw event: **Neeraj Chopra**
- \_\_\_\_\_ has secured bronze medal in the 50m rifle 3 positions final at the Paris Olympics: **Swapnil Kusale**
- \_\_\_\_\_ has secured the bronze medal at the Paris 2024 Olympics after defeating Spain 2-1 in the third-place match: **Indian men's hockey team**
- Lt. Colonel \_\_\_\_\_, a serving Indian Army Officer, has become the youngest Olympic referee in boxing from India at the Paris Olympics 2024: **Kabilan Sai Ashok**
- \_\_\_\_\_ in Hyderabad has once again been recognized as the Best Airport at the prestigious India Travel Awards, marking its third consecutive win in this category: **The Rajiv Gandhi International Airport (RGIA)**
- While presiding over prestigious 2023 National Geoscience Awards; President Murmu has conferred lifetime Achievement Award to \_\_\_\_\_, Emeritus Scientist at the Indian National Science Academy (INSA): **Prof. Dhiraj Mohan Banerjee**
- \_\_\_\_\_ a teacher and mother from Pune, has become first Indian woman to win the national championship in the saloon category at the MRF Indian National Car Racing Championship 2024: **Diana Pundole.**

- \_\_\_\_\_ are at the second and third positions, respectively, among 44 cities globally in annual price rise of prime residential properties, Knight Frank said in a report: **Mumbai and Delhi**
- \_\_\_\_\_ has emerged as the new "billionaire capital of Asia" in the Hurun India Rich List 2024 of wealth distribution across Asia: **Mumbai**
- Airtel Payments Bank has introduced a new security feature called \_\_\_\_\_, leveraging AI to enhance account protection: **Face Match**
- \_\_\_\_\_ has been named the world's strongest food brand in Brand Finance's Global Food & Drinks Report 2024: **Amul**
- Union Ministry of Power has launched three new online platforms \_\_\_\_\_ to enhance efficiency, transparency, and effectiveness in the power sector: **PROMPT DRIPS and JAL VIDYUT DPR**
- Information and Broadcasting Minister has launched \_\_\_\_\_ in the run-up to the World Audio Visual and Entertainment Summit: **'Create in India Challenge-Season One'**
- BJP General Secretary Tarun Chugh's book, \_\_\_\_\_ has been released: **'Modi's Governance Triumph: Reshaping India's Path to Prosperity'**
- \_\_\_\_\_, celebrating its Foundation Day, has introduced 'Avni', a savings account tailored specifically for women: **Bandhan Bank**
- The Department of Post has launched the \_\_\_\_\_ to promote research and scholarship in philately among students across India: **'Deen Dayal SPARSH Yojana'**
- On India's inaugural National Space Day, the nation witnessed a significant educational milestone with the release of \_\_\_\_\_, an innovative e-magazine: **'Sapno ki Udaan'**
- \_\_\_\_\_, India's first civilian space tourist, after joining Blue Origin's New Shepard-25 (NS-25) mission, has become the second Indian citizen to travel to space after Rakesh Sharma's 1984 mission: **Gopichand Thotakura**
- \_\_\_\_\_ was honoured with the titles of Best Small Finance Bank, India, Best Performance on Profitability (Runners-up), Best Performance on Asset Quality, and Best Performance on Risk Management: **Jana Small Finance Bank**
- ESAF Small Finance Bank, in collaboration with the National Payments Corporation of India (NPCI), has introduced: **Inori RuPay Platinum Credit Card.**
- Indian Army has launched Project \_\_\_\_\_, aimed at providing support & services to Defence pensioners/veterans: **NAMAN**
- \_\_\_\_\_ has received an 'A+' rating for the 2nd consecutive year in the Global Finance Central Banker Report Cards 2024: **Shaktikanta Das**
- Moody's upgrades \_\_\_\_\_ ratings to Ba1, outlook remains positive: **Tata Motors'**
- India Launches Worlds First Mobile Hybrid Rocket: **RHUMI-1**
- \_\_\_\_\_ has been ranked 2nd Largest Aluminium Producer in the World: **India**
- Yes Bank has entered into a co-lending partnership with Newtap Finance to provide personalised financing solutions: **CRED**

**KEY INDICATORS**

REPO RATE	6.50%	FOREX RESERVES- Rs. (in Cr)	5736861
CRR	4.50%	FOREX RESERVES US (\$ Million)	683987
SLR	18.00%	SCB's AGGREGATE DEPOSITS - (Cr)	21245259
BANK RATE & MSF	6.75%	SCB's BANK CREDIT - (Cr)	16945162
SDF	6.25%	FIXED RATE REVERSE REPO	3.35%